



COTA Commercial Bank

ANNUAL REPORT 2008





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2008



To Our Shareholders

# 1. To Our Shareholders

## 1-1. Year 2008 Business Report

### 1-1-1. Financial Environments

In retrospect of year 2008, global economy, affected by stretched U.S. credit crisis rippling through whole world, tighten credit policy suppressing expansion of demand, and depreciated asset-revalue of financial institutions worsened economic performance, brought itself into a state of slow growth. U.S. economy, a leading key role of global economy, amid concerns of deteriorated sub-prime mortgage loan and its derived credit crush was therefore still stuck in a rigid situation where it came up an estimated economic growth rate merely at 1.1%. Nevertheless, developing countries' constant expansion energy mainly led by China and India provided global economy with growing momentum and bolstered its growth rate at a level of 3.4%. Regarding Taiwan's domestic economy, accounted for strong liquidity of capital flows led by Taiwan government's intended lower benchmark interest rate and higher national debt injected into local demand, "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" preliminarily figured year 2008 round domestic economic growth rate in GDP as 0.12%.

In prospect of year 2009, global economy amid concerns of financial tsunami caused by U.S. sub-prime crisis would be likely to confront growth decline in most industrial countries, and also the emerging countries. Despite aggressive monetary policies have been applied to whether recession, stimulus plans seem not to bring out any significant effects due to severe damage on economic system and other sections. It is believed that global economy needs much longer time to make a recovery. According to the forecast released by IMF, U.S. economy is expected to be sluggish, and Europe and Japan may as well. However, as the development of China economy shows no signal of large downturn and other emerging countries also sustain positive growth rate, these would continually furnish growth force to global economy to support that the estimated global economic growth rate will fall at 0.5%. Amongst the same situation of global economy's slow growth rate, Taiwan's economic activities are choked by sharply decreased export trade volume, together with reluctant confidence in consumer spending and corporate investment. But, several stimulus plans, timely launched by Taiwan government such as dispatching shopping-coupon to stir consumption, introducing local-demand expanding schemes, improving investment environments, and enhancing interconnection across Taiwan Strait, may ease the collision from global stagflation. "Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC" estimates year 2009 growth rate in GDP to be negative 2.97%. For domestic interest rate, considering slowdown economic growth, Central Bank of the Republic of China (Taiwan) might adapt a loosened monetary policy and a number of strengthened liquid funds injection schemes to stimulate internal demand. Benchmark interest rate is expected to be kept on hold at a lower level. For foreign exchange rate, Central Bank of the Republic of China (Taiwan) might maintain a dynamic but stable first position in order to avoid causing fluctuation overly. And yet, owing to contracted external demand and sluggish export industries, it is predictable that there should leave larger depreciative room for TWD in order to uphold export competitive capacity.

### 1-1-2. Organization Development

COTA Bank set up a fully-owned subsidiary "COTA Bank Insurance Broker Co., Ltd." to incorporate associate core business operations and widely satisfy customers' varied insurance demands in savings, tax-saving, and investment. Besides, based on main structure of banking business, an integration of businesses, staffs, information and channels is undertaking so as to enhance facilities on product developments and customer services and then increase profitability.

## 1-1-3. Year 2008 Business Plans and Strategies Performance

### 1-1-3-1. Main Achievements

- Established Xinzhuang Branch to actively deploy north Taiwan urban branch channel.
- Invested to set up COTA Bank Insurance Broker Co., Ltd. to raise service efficiency.
- Built up on-line leave of absent system to streamline P.R. management.
- Issued volume-limited “Beijing 2008 Olympic Games” VISA theme card.
- Set up risk-management framework, assessment function and operational risk loss database to align with implementation of BASEL II.

### 1-1-3-2. Budget Performance

As of Dec 31, 2008, our deposits balance with sum of TWD97.5 billion (excluding deposits from banks) increased by TWD3.9 billion compared to previous year; our loans balance with sum of TWD79.4 billion decreased by TWD1.7 billion compared to previous year. We are intended to fulfill full-staff sales approaches to urge well-quality and -quantity structure between deposits and loans.

Main business budget performances are reported as follows:

- Final account of average deposits balance is TWD93.7 billion, achieving 91% budgeting goal of TWD102.8 billion.
- Final account of average loans balance is TWD77.3 billion, achieving 91% budgeting goal of TWD84.5 billion.
- Final account of trust assets balance is TWD2.68 billion, achieving 67% budgeting goal of TWD4 billion.

### 1-1-3-3. Analysis of Income Status and Profitability

Our year 2008 earning after income tax showed a negative figure as TWD642 million turned into EPS as minus TWD1.74. The main reason for negative earnings is out of idle assets devaluation pursuant to Journal of Accounting Research 34 and 35 so as to completely unveil financial status and then ease the anxiety of investor. Our BIS ration maintained a sound level of 10.59% and net value of per share stood at TWD12.58. In addition, we lifted our NPL coverage ratio to 47.87% as of Dec 31, 2008 from 29.97% as of Dec 31, 2007 to strengthen assets quality. We will prompt ourselves to improve business effectiveness and risk control to enhance competitive edge.

### 1-1-3-4. Research and Development

Responding to rapid change of international and domestic economic environments and demands of banking business, our H.O. departments compiled diverse analyses or reports regarding financial situations, banking business development and industrial insight and tendency periodically or non-periodically. Such analyses or reports were circulated to our staff for reference through our electronic official document system.

## 1-2. Year 2009 Business Plans Outline

COTA Bank has been always adhering to the spirit of “value our customer”. Driven by the need of customer, we persistently convert customers’ appealing into key concerns of service and operational process improving, and meanwhile strengthen financial structure and arrange feasible assets allocation. Main business plans are outlined as follows.

# 1. To Our Shareholders

## 1-2-1. Business Operational Policy

- To enhance SME loans and expand corporate banking business aggressively.
- Move to reset Xinzhu branch and continually adjust and deploy branch channels.
- To set up risk management center and intensify risk management methodology.
- To constantly raise ratio of electronic transactions and lower repeated manpower effort.
- To streamline operational procedure to discharge back office manpower and strengthen proficiency training to accelerate front-desk sales jobs reassignment
- To fulfill budgeting target and build up cost allocation system to increase profitability.
- To actively participate regional activities for public welfare to seize niche of community banking.

## 1-2-2. Business Target

### 1-2-2-1. Main budgeting Targets

- Deposits: set average deposits budgeting balance as TWD97 billion, increased by TWD3.3 billion compared to previous year budget at a growth rate of 3.52%.
- Loans: set average loans budgeting balance as TWD80 billion, increased by TWD2.7 billion compared to previous year budget at a growth rate of 3.49%.
- Wealth management (trust asset): set trust asset budgeting balance as TWD2.8 billion, increased by TWD120 million compared to previous year budget at a growth rate of 4.31%.

### 1-2-2-2. Schemed Targets

- To segment marketing strategies and provide SME with wide-array product lines and safe, effective service procedure
- To adjust and redeploy branch channels gradually to increase profitability and market shares
- To improve risk management methodology under BASEL II to sustain asset qualities
- To install electronic banking services and deepen integration of e-banking cash flows to help individual and corporate reach feasible cash management.
- To enhance marketing proficiency training and sales skills to build up customer-driven service culture.
- To intensify budgeting control of business expense to lower operational costs effectively.
- To commit to corporate social responsibility to create better corporate value.

## 1-3. Long-term Development Strategy

- To lift higher weight of current deposits, lower capital cost and increase profitability.
- To adjust loans structure, expand business scale of SME and individual loans.
- To develop wealth management, improve fee income ratio and diversify earnings source.
- To improve loans asset quality, lower over-due loans and raise NPL coverage ratios.
- To construct full-range businesses risk management methodology (including identification, measurement, communication and monitor) and strengthen risk management operating effectiveness.
- To search uses of fund for surplus capital and enrich capital operation by optimal deployment.

- To build up and integrate management information system, electronic information platform to maximize IT synergies.
- To continue expanding scale of business in line with market tendency and momentum and achieve well-sound and proficiency position of community bank.

## 1-4. Impact of Competitive, Regulative and Banking Environments

In regard to development of domestic financial market, merge and acquisition of financial institutions is increasingly active. It is believed that financial institutions would continue reforming to improve competitive ability under the supervision of “Financial Supervisory Commission, ROC (FSC)”. Meanwhile, the comparatively conservative position toward sales of financial commodity and interest rate policy modestly alleviate the collision from global financial crisis. Though, it is inevitable that the profitability of financial institutions will be hurt by lower interest rate spread, implementation of “Consumer Debt Clearance Act”, and higher NPL coverage ratio required by competent authorities. Considering rapid change of industrial tendency and financial environment, COTA Bank shall uphold its longstanding management policy of stable development by emphasizing internal control and risk management, requesting obedience of law and regulation and concept of risk control. Business expansion will base on the principle of regional rooting and steady growth following increasing financial market openness and modification of regulation. Also, new products generation and combination will keep developing together with service quality enhancement so as to satisfy needs for various industries and customers on all of which business transform and lasting complete edge rely.

## 1-5. Corporate Rating

Type	Rating Agent	Rating		Outlook	Released Date
		Long-term	Short-term		
Local	Taiwan Rating Corporate	twBBB+	twA-2	Stable	Dec 31, 2008

Outlook for 2009, COTA Bank dedicates itself to continually cultivating varied business aspects at a steady pace and endeavoring for better customer services by which shall lead to advance of business scale, service level, and benefit to shareholders. Overall, we would like to express our earnestly appreciations to our shareholders, directors, supervisors, and the elite in all fields. All our staff would sustain the passion to realize service motto of “all customers are equal matter and deserve best services”. We look forward to obtaining continued support and advice from all of you.



Chairman Liao, Chun-Tse

# Cota Commercial Bank Xinzhuang Branch grand opening





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# 2 Corporate Profile



## 2. Corporate Profile

### 2-1. Bank Features

Bank Name	COTA Commercial Bank, Ltd. (abbreviate as COTA Bank or “the Bank” herein)
Chairman	Chun-Tse Liao
President	Chin-Ting Chang
Date of Business Registration	Jan 1, 1999
Date of Inauguration	Jan 1, 1999
Location of Head Office	No.32-1, Gongyuan Road, Central District, Taichung City 400, Taiwan, R.O.C.
Number of Employee	1,141
Paid-in Capital	TWD3,680,451,110
Capital Shares	Common Stock in 368,045,111 Shares

### 2-2. Historical Highlights

COTA Bank was formerly named “Liability Taichung Third Credit Cooperative”. Founded in 1915, we have consistently conveyed the corporate philosophy featuring, well-sustained to combat in the financial climate characterized by severe competition, as “Briskness, Innovation, Cordiality and Service”. In accordance with the promulgation of “Regulations and Criteria Governing Reorganization of Credit Cooperative into Commercial Banks”, COTA Bank started the reorganization task and launched reorganization in Dec 1995. On Jul 27, 1998, COTA Bank was officially approved by Ministry of Finance to be transformed into “COTA Commercial Bank”.

In 2005, COTA Bank requested Fengyuan Credit Cooperative to consider a merge proposal for mutual benefits to enhance competitive capacity by expanding business scale. After sincere bilateral negotiation and consideration, COTA Bank decided to wholly acquire Fengyuan Credit Cooperative. Approved by shareholder meeting of both parties, Fengyuan Credit Cooperative was formally merged with COTA Bank on Jan 1, 2006.

Outlook for the future, COTA Bank is determined to become a full-array commercial bank in spite of quick-changing financial market. Under the support of shareholders and members of board, and the endeavor of all staffs, we are committed to providing all-aspect services for our customers by constant business growth, scale expansion, and product diversification.



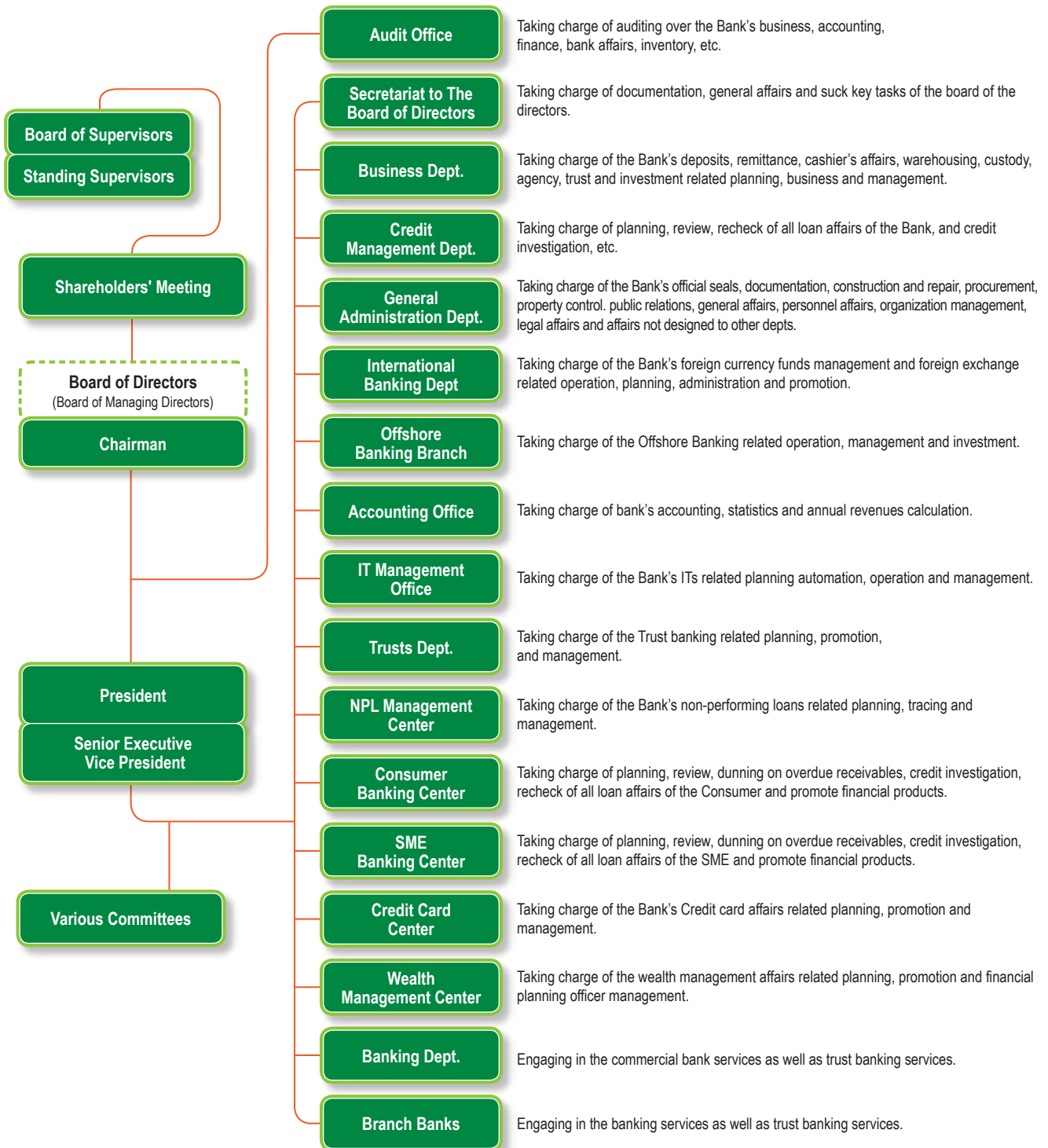


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# Corporate Governance

# 3. Corporate Governance

## 3-1. Organization Chart



## 3-2. Major Information of Directors, Supervisors, Executives and Principal Officers.

### 3-2-1. List of Directors and Supervisors

As of Dec 31, 2008, Shares Held (%)

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Chairman	Chun-Tse Liao	Jun 20, 2008	3	Jan 1, 1999	4,648,209	1.3071	4,810,896	1.3071	11,427	0.0031	-	-	The Society for Professional Management, UK Diploma in Professional Management (Business Management Dr. in P.I.U.) President, Senior Executive Vice President and Chairman of the board of Liability Taichung Third Credit Cooperative, Director of TACB Supervisor of FDU Personal Insurance Agent Co., Ltd.	Chairman of COTA General Insurance Agent Co., Ltd.
Managing Director	Ying-Che Chang	Jun 20, 2008	3	Jan 1, 2002	1,309,842	0.3683	1,355,686	0.3683	19,402	0.0053	-	-	Department of International Trade, Feng Chia University, Senior Executive Vice President of COTA Bank President of COTA Bank	
Managing Director	Yao-Ting Li	Jun 20, 2008	3	Jan 1, 1999	1,585,193	0.4458	1,640,674	0.4458	217,725	0.0592	-	-	National Taichung Institute of Technology, Chairman of Yuan Feng Dyeing & Weaving Co., Ltd., Managing director & President of Fu Shan Dyeing & Weaving Co., Ltd.	
Managing Director	Dong-Po Xie	Jun 20, 2008	3	Jan 1, 2002	1,336,612	0.3759	1,403,393	0.3813	196,581	0.0534	-	-	Post graduate of University of California in U.S.A., The Hong Kong College of Medicine, Representative of Liang Yow Biotechnology Inc.	Chairman of Cheng Shing Tai Biopharmaceutical Co., Ltd. Chairman of Da Chen Ent., Co., Ltd. Director of Yen Sheng Broadcasting Station Director of Tien Sheng Broadcasting Station Director of Feng Tzer Electronics Co., Ltd. Directors of Sicame Commercial Affairs Hotel Inc. Directors of Tung Kai An Leisure Development Inc.
Managing (Independent) Director	Yen-Chun Wang	Jun 20, 2008	3	Jun 20, 2008	-	-	-	-	-	-	-	-	National Taiwan University Graduate Institute of Electrical Engineering Director of Tai Chiun Technology Co., Ltd. Director of China Hsiu Tzu Co., Ltd. Chairman of Wei Hsin Co., Ltd.	Chairman of United Integrated Services Co., Ltd. Chairman of Unimens Manufacturing Co., Ltd. Director of Han Tai Investment Co., Ltd. Director of Jong ching Investment Co., Ltd. Director of Shin Cheng Investment Co., Ltd. Director of Ablerex Electronics Co., Ltd.
Director	Chan-Wen Lin	Jun 20, 2008	3	Jan 1, 1999	1,541,562	0.4335	1,595,516	0.4335	-	-	-	-	Taiwan Provincial School of Commerce of Tai-Chung, President of Liability Taichung Third Credit Cooperative Director of FDU Personal Insurance Agent Co., Ltd.	
Director	Pi-Jung Hsieh	Jun 20, 2008	3	Jan 1, 1999	1,890,645	0.5317	1,880,429	0.5109	1,355,059	0.3682	-	-	Taichung Industrial High School, Certification Examinations for Architect, Ministry of Examination, Engineer of Taiwan Railway Electrical Engineering Department. Director of Chung Hua Plastics Plywood Industrial Co., Ltd.	Architect of Hsieh Pi-jung Architectural Office Director of Ju Hsing International Co., Ltd. Director of Chung Hui Investment Co., Ltd. Director of Tseng Hsin Construction & Development Co., Ltd.
Director	Song-Yue Liao	Jun 20, 2008	3	May 25, 2005	3,174,423	0.8927	3,317,218	0.9013	45,715	0.0124	-	-	Hosei University of Tokyo, Japan Chairman of Chuan Cheng Hat Co., Ltd.	Chairman of Chuan Cheng Hat Co., Ltd. Chairman of Japana Enterprise Co. Ltd. Director of New Zhung Zhuang Investment Co. Ltd., Director of CCH Plus Inc. Director of CCH investment Inc. Supervisor of Yuan Peing Applied Material Co., Ltd.

# 3. Corporate Governance

Title	Name	Elected Date	Tenure	First Elected	Elected Shares Owned		Current Shares Owned		Shares Owned by Spouses and Minor children		Shares Held under Surrogate A/C		Education & Key Work Experience	Current Positions Held in this or other company
					No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%		
Director	Xian-De Lai	Jun 20, 2008	3	May 25, 2005	1,182,904	0.3327	1,224,305	0.3327	68,574	0.0186	-	-	National Chung Hsing University, Directors of Avis Management & Engineering Service Company	Chairman of Tung Yang Investment Co., Ltd. Chairman of Tung Yang Business Co., Ltd. Director of Yuan .Sheng Plastic Inc. Supervisor of Man Fu Lou Restaurant Co., Ltd. Director of Kuang Ching Plastic Corporation Managing Director of Taiwan Flour Mills Associate Representative of Jazzy Industrial Co., Ltd.
Director	Ying-Chieh Lai	Jun 20, 2008	3	Jan 1, 1999	1,022,910	0.2877	1,058,711	0.2877	314,949	0.0856	-	-	Murakami Youth School, Certificate of Administration management in Japan, President of Yu Li De Consultant Co., Ltd.	Chairman of Third Credit Cooperative educational foundation
Director	Chun-Chuan Wang	Jun 20, 2008	3	Jan 1, 1999	836,740	0.2353	866,025	0.2353	57,658	0.0157	-	-	Department of English, Tamkang University, President of COTA Bank	
Director	Guo-Zhou Chen	Jun 20, 2008	3	May 25, 2005	1,758,858	0.4946	1,820,418	0.4946	-	-	-	-	Nan Ying Vocational High School of Business & Technology Supervisor of Yeh-Chiang Technology Corp.	Director of Nan Hai toy Co., Ltd. Representative of Peng Chen Corp. Supervisor of Sino-American Silicon Products Inc.
Director	Mu-Chuan Huang	Jun 20, 2008	3	Jan 1, 2002	1,651,790	0.4645	1,709,602	0.4645	399	0.0001	-	-	Shinmin Economics and Commercial Senior high school, Senior Executive Vice President of COTA Bank	
Independent Director	Po-Yao Chi	Jun 20, 2008	3	Jun 20, 2008	1,499,152	0.4216	1,551,622	0.4216	-	-	-	-	Soochow University School Director of Cheng Loong Corporation TaiChung Factory	Managing Director of Shan Fu Corrugated Carton Co., Ltd. Director of Ming Foong Plastic Co., Ltd. Director of Cheng Loong Corporation Miaoli Factory
Independent Director	Kung-Cheng Lin	Jun 20, 2008	3	Jun 20, 2008	-	-	-	-	-	-	-	-	National Chengchi University Department of Finance and Taxation PHD of Department of Economy in Iowa State University U.S.A Chairman of Department of Public Finance & Taxation in National Taichung Institute of Technology Chairman of Department of Public Finance in Feng Chia University	Associate professor and Chairman of Department of Financial Management in Hsiuping Institute of Technology
Standing Supervisor	Lien-Kui Wang	Jun 20, 2008	3	Jan 1, 2002	1,246,360	0.3505	1,289,982	0.3505	57,145	0.0155	-	-	Civic Education and Leadership, National Taiwan Normal University, Executive vice President of Liability Taichung Third Credit Cooperative, Senior Executive Vice President of COTA Bank	
Supervisor	Dhe-Chin Lai	Jun 20, 2008	3	Jan 1, 2002	1,181,866	0.3324	1,223,231	0.3324	34,286	0.0093	-	-	Shin Min Economics and Commercial Senior high school Executive vice President of Liability Taichung Third Credit Cooperative, Special Assistant of COTA Bank Direct of FDU Non-Life Insurance Agent Co., Ltd.	
Supervisor	Yong-Zhi Wang	Jun 20, 2008	3	May 25, 2005	1,169,987	0.3290	1,302,629	0.3539	1,140	0.0003	-	-	Nanya Institute of Technology, Direct of Sheng Ho Securities(BTS) Company	
Supervisor	Guo-Zhao Xiao	Jun 20, 2008	3	May 25, 2005	2,956,053	0.8313	3,059,514	0.8313	-	-	-	-	University of South California, USA, Supervisor of Taiwan Foundation Global Technology Co. Ltd. Chairman of Hong Cheng Construction Co., Ltd.	
Supervisor	Zhuang-Tai Wang	Jun 20, 2008	3	May 25, 2005	1,040,744	0.2927	1,337,172	0.3633	-	-	-	-	Shu-Te Institute of Technology, Supervisor of Forever Coampion Shoes Co., Ltd. Hui Hsin Enterprise Co., Ltd. Director of Tai Ho Cement Industry Corp.	Chairman of Wang Jiang Property Co. Ltd Director of Kun Ting Real Estate Agencies Co., Ltd. Chairman of Zhuang-Tai Wang Lane Administration office

As of Dec 31, 2008

Title	Name	Qualifications	Directors or Supervisors shall meet one of the following professional requirements, together with at least five years work experience.			Independent status (Note)										Number of serve as an independent director of public companies.
			An instructor or higher up in a department of commerce, law, finance, accounting, or other academic department related to company business in a public or private junior college, college, or university.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.	Having work experience in the area of commerce, law, finance or accounting, or otherwise necessary for company business.	1	2	3	4	5	6	7	8	9	10	
Chairman	Chun-Tse Liao	-	-	V	V	-	-	-	V	V	V	V	V	V	-	
Managing Director	Ying-Che Chang	-	-	V	-	-	V	-	V	V	V	V	V	V	-	
Managing Director	Dong-Po Xie	-	-	V	V	-	V	-	V	V	V	V	V	V	-	
Managing Director	Yao-Ting Li	-	-	V	V	-	-	-	V	V	V	V	V	V	-	
Managing Director (Independent)	Yen-Chun Wang	-	-	V	V	V	V	V	V	V	V	V	V	V	-	
Director	Chan-Wen Lin	-	-	V	V	-	V	-	V	V	V	V	V	V	-	
Director	Ying-Chieh Lai	-	-	V	V	-	V	-	V	V	V	V	V	V	-	
Director	Pi-Jung Hsieh	-	-	V	V	-	-	-	V	-	V	V	V	V	-	
Director	Song-Yue Liao	-	-	V	V	-	-	-	V	V	V	V	V	V	-	
Director	Chun-Chuan Wang	-	-	V	V	-	V	-	V	V	V	V	V	V	-	
Director	Guo-Zhou Chen	-	-	V	V	-	-	-	V	V	V	V	V	V	-	
Director	Xian-De Lai	-	-	V	V	-	V	-	-	-	V	V	V	V	-	
Director	Mu-Chuan Huang	-	-	V	V	-	-	-	V	V	V	V	V	V	-	
Independent Director	Kung-Cheng Lin	V	-	V	V	V	V	V	V	V	V	V	V	V	-	
Independent Director	Po-Yao Chi	-	-	V	V	V	V	V	V	V	V	V	V	V	-	
Standing Supervisor	Lien-Kui Wang	-	-	V	V	-	V	-	V	V	V	V	V	V	-	
Supervisor	Dhe-Chin Lai	-	-	V	V	-	V	-	V	V	V	V	V	V	-	
Supervisor	Yong-Zhi Wang	-	-	V	V	-	V	-	V	V	V	V	V	V	-	
Supervisor	Guo-Zhao Xiao	-	-	V	V	-	-	-	V	V	V	V	V	V	-	
Supervisor	Zhuang-Tai Wang	-	-	V	V	-	V	-	V	V	V	V	V	V	-	

## Note:

During 2 years before being elected or the office term, directors or supervisors who meet the following conditions shall mark with "V" in correspondent boxes.

- Neither employees of Bank nor its affiliates.
- Neither a director/supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares.
- Not an individual shareholder who holds shares, together with those held by the person spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top ten shareholders who are natural persons in terms of the share volume held.
- Not a spouse or relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the bank or ranks among the top 5 corporate shareholders in the terms of share volume held.
- Not directors, supervisors, or executive officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.
- Not a professional, or owner, partner, director, supervisor, or executive officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the bank or to any affiliates.
- Not a spouse or relative within the second degree of kinship within directors.
- Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in the Article 27 of the Company Act.

# 3. Corporate Governance

## 3-2-2. List of Executives and Principal Officers

As of Dec 31, 2008, Shares Held (%)

Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
President	Chin-Ting Chang	Oct 1, 2008	1,356,071	0.37	103	0.00	-	-	NCHU's Continuing Education School, EMBA, Executive Vice President of COTA Bank	Director of COTA General Insurance Agent Co., Ltd.
Chief Auditor	Shu-Yuan Tsai	Feb 4, 2008	362,477	0.10	-	-	-	-	Taiwan Provincial School of Commerce of Tai-Chung, Accounting Office Chief Secretary of COTA Bank	-
Senior Executive Vice President	Jung-Hsien Chiu	Jan 1, 2004	767,975	0.21	-	-	-	-	Department of Industrial and Information Management, National Cheng Kung University, Executive Vice President of COTA Bank	Supervisor of COTA General Insurance Agent Co., Ltd.
Senior Executive Vice President	Tsai-Hsiung Liao	Apr 1, 2007	1,243,858	0.34	547,895	0.15	-	-	Ming Te home Economics and Commercial Senior high school, Xitun Branch General Manager of COTA Bank	Director of COTA General Insurance Agent Co., Ltd.
Senior Executive Vice President	Chih-Sheng Hsiao	Oct 1, 2008	445,682	0.12	65,561	0.02	-	-	Department of Public Finance Feng Chia University, Credit Management Department General Manager of COTA Bank	-
Executive Vice President	Shih-Chien Chin	Jan 1, 2004	194,904	0.05	96,701	0.03	-	-	Department of Applied Math., University of North Texas, USA, Business Department General Manager of COTA Bank	-
Executive Vice President	Yun-Ching Wang	Jan 1, 2004	247,875	0.07	160,008	0.04	-	-	Master of Finance, National Chung Hsing University, IT Management Office General Manager of COTA Bank	-
Executive Vice President	Hsin-De Chang	Oct 1, 2008	92,855	0.03	13,464	0.00	-	-	Department of Accounting, Chien Kuo College of Commerce, Taichung Branch General Manager of COTA Bank	-
Executive Vice President	Chang-Lu Liu	Oct 1, 2008	68,994	0.02	2,399	0.00	-	-	Tsao Tun Vocational School, Yuanlin Branch General Manager of COTA Bank	-
Executive Vice President	Tai-An Chen	Oct 1, 2008	439,291	0.12	80,003	0.02	-	-	Ming Te Home Economics and Commercial Senior High School, Jinhua Branch General Manager of COTA Bank	-
Executive Vice President	Ho-Shun Chang	Oct 1, 2008	152,231	0.04	13,941	0.00	-	-	Feng-Yuan Commercial & Vocational High School, Business Branch General Manager of COTA Bank	-
Department General Manager	A-Kuai Chen	Feb 21, 2000	242,946	0.07	-	-	-	-	Department of Science, The National Open University, Commissioner of COTA Bank	-
Department General Manager	Chiu-Yun Huang	Jan 1, 2006	36,675	0.01	5,712	0.00	-	-	Department of Finance, R.O.C. Military Academy, Credit Management Department Project Manager of COTA Bank	-
Department General Manager	Chih-Hui Chen	Sep 27, 2004	7,645	0.00	337,786	0.09	-	-	Department of Computer Science, Feng Chia University, Shalu Branch General Manager of COTA Bank	-
Department General Manager	Wei-Bin Lin	Mar 16, 2006	47,021	0.01	-	-	-	-	Graduate School of Management, University of California at Riverside, Assistant Vice President of Bank Sinopac	-
Department General Manager	Sheng-Li Hung	Jul 1, 2006	56,701	0.02	4,761	0.00	-	-	National Open College of Continuing Education Affiliated to National Taichung institute of Commerce, Nan-tun Branch General Manager of COTA Bank	-
Department General Manager	Huan-Mou Cheng	Sep 15, 2008	159,612	0.04	11,427	0.00	-	-	National Open College of Continuing Education Affiliated to NTIT, SME Banking Center Manager of COTA Bank	-
Department General Manager	Jui-Sen Liao	Sep 15, 2008	76,890	0.02	1,140	0.00	-	-	Department of Public, Aletheia University, Zhongshan Branch Manager of COTA Bank	-
Department General Manager	Kuang-Hsiung Huang	Mar 3, 2006	171,580	0.05	224,389	0.06	-	-	Department of Economics, Feng Chia University, Business Department Deputy General Manager of COTA Bank	-
Chief Secretary	Chien-Cheng Hsu	Mar 3, 2006	309,410	0.08	54,713	0.01	-	-	Department of Business Administration, Tunghai University, Business Department Deputy General Manager of COTA Bank	-
Department General Manager	Hung-Tsang Chiang	Jan 1, 2006	94,678	0.03	86,427	0.02	-	-	Department of Public and Management, Supplementary Junior College of the National Open University, Consumer Banking Deputy General Manager of COTA Bank	-
Project Manager	Shun-Hsien Weng	Jan 1, 2006	202,012	0.05	-	-	-	-	Department of Public Finance Feng Chia University, Credit Card Deputy Center Manager of COTA Bank	-
Branch General Manager	Mao-Sheng Huang	Sep 15, 2008	87,702	0.02	23,085	0.01	-	-	Department of Finance Stock Practice, Nantun Branch Deputy General Manager of COTA Bank	-



Title	Name	Date of Inauguration	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Education & Key Past Positions	Other Positions Held Current
			No. of Shares	%	No. of Shares	%	No. of Shares	%		
Branch General Manager	Pi-Li Hsu	Jul 1, 2007	292,672	0.08	196,581	0.05	-	-	Shin Min Commercial and Industrial Vocational Senior High School, Fengxin Branch General Manager of COTA Bank	-
Branch General Manager	Chung-Lung Tsai	Apr 1, 2007	209,710	0.06	345,163	0.09	-	-	Department of Business Administration, Lin Tung Institute of Commerce, Zhongshan branch General Manager of COTA Bank	-
Branch General Manager	Min-Chang Lin	Jul 10, 2002	111,246	0.03	28,571	0.01	-	-	Department of General Business, Shin Min Commercial & Industrial Vocational Senior High School, Zhongzheng Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Chih-Hung Huang	Apr 1, 2007	185,937	0.05	114,291	0.03	-	-	Department of Applied Commerce, National Taichung Institute of Technology, Fengdong Branch General Manager of COTA Bank	-
Branch General Manager	Hung-Ming Lai	Apr 1, 2007	141,348	0.04	114,291	0.03	-	-	Department of Business Administration, National Taichung Institute of Commerce, Beitun Branch General Manager of COTA Bank	-
Branch General Manager	Shih-Tsung Chou	Jul 1, 2006	224,536	0.06	350,379	0.10	-	-	Department of Business Administration, The Overseas Chinese College, Zhenghua Branch General Manager of COTA Bank	-
Branch General Manager	Kuo-Ho Chang	Sep 15, 2008	21,451	0.01	-	-	-	-	Department of General Business, Shin Min Commercial and Industrial Vocational Senior High School, Dazhi Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Shih-Jung Chen	Jul 10, 2002	307,333	0.08	-	-	-	-	Department of Oceanography, Chinese Culture University, Credit Management Department Deputy General Manager of COTA Bank	-
Branch General Manager	Chih-Peng Yang	Jul 1, 2006	89,336	0.02	20,571	0.01	-	-	Department of Business Administration, National Open College of Continuing Education Affiliated to National Taichung Institute of Commerce, Zhenghua Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Chia-Wen Ke	Sep 15, 2008	66,836	0.02	267,619	0.07	-	-	Institute of Technology Management, Chung Hua University, Beitun Mini Branch General Manager of COTA Bank	-
Branch General Manager	His-Hsien Wang	Nov 21, 2005	43,786	0.01	-	-	-	-	Soochow University School of Law, Manager of CTCB, Panchiao Branch General Manager of COTA Bank	-
Branch General Manager	Feng-Jung Yeh	Oct 1, 2008	77,701	0.02	12,107	0.00	-	-	Department of Finance, Chaoyang University of Technology, Zhongzheng Mini Branch General Manager of COTA Bank	-
Branch General Manager	Chi-Shen Huang	Mar 3, 2006	194,286	0.05	34,286	0.01	-	-	Department of Banking and Insurance, National Taichung Institute of Commerce, Panchiao Branch Deputy General Manager of COTA Branch	-
Branch General Manager	Chiang-Chung Chuang	Jul 1, 2007	367,244	0.10	114,291	0.03	-	-	Hsin Sheng Economics and Commercial Senior High School, Chenggong Branch General Manager of COTA Bank	-
Branch General Manager	Hung-Chi Tung	Oct 1, 2008	133,504	0.04	116,815	0.03	-	-	Department of International Trade, Supplementary Junior College, Shiqian Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Chi-Sheng Chang	Sep 15, 2008	815,230	0.22	-	-	-	-	Department of Business, Ming Te Home Economics and Commercial Senior High School, Credit Management Project Manager of COTA Bank	-
Branch General Manager	Shih-Tsung Liu	Apr 1, 2007	224,910	0.06	169,727	0.05	-	-	Department of Business, The National Open University, SME Banking Center Deputy General Manager of COTA Bank	-
Branch General Manager	Lu-Chen Liao	Sep 15, 2008	137,175	0.04	168,009	0.05	-	-	Shin Min Commercial and Industrial Vocational Senior High School, Fengyuan Project Manager of COTA Bank	-
Branch General Manager	Wen-Jeng Chen	Jul 1, 2006	119,601	0.03	25,039	0.01	-	-	Department of Business Administration, Chaoyang University of Technology, Nanmen Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Ching-Hsu Hsu	Sep 15, 2008	113,454	0.03	245,728	0.07	-	-	Department of General Business, National Changhua Senior School of Commerce, Fengle Branch Deputy General Manager of COTA Bank	-
Branch General Manager	Ching-Sung Chen	Oct 15, 2007	123,246	0.03	81,147	0.02	-	-	Department of Accounting Statistics National Changhua Senior School of Commerce, Credit Management Project Manager of COTA Bank	-

# 3. Corporate Governance

## 3-2-3. Directors, Supervisors, President and Executive Vice presidents' Remuneration in Recent Year

### Directors' Remuneration

Unit: TWD thousand

Title	Name	Compensation						Sum of A, B and C/after-tax profit (%)		Compensations received by part-time employees								Sum of A, B, C, D and E / after-tax profit (%)		Whether or not any compensation is received from other reinvested businesses than subsidiaries
		Rewards		Earning Distribution		Professional Practice				Salary, Bonus and Special Disbursement		Employee bonus Distribution				Employee Share Subscription Warrants				
		Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	Bank	Con-Solidation	COTA		Con-Solidation		COTA	Con-Solidation	COTA	Con-Solidation	
												Cash Dividend	Stock Dividends	Cash Dividend	Stock Dividends					
Chairman	Chun-Tse Liao																			
Managing Director (Note 1)	Ying-Che Chang																			
Managing Director	Dong-Po Xie																			
Managing Director	Yao-Ting Li																			
Managing (Independent) Director	Yen-Chun Wang																			
Director	Chan-Wen Lin																			
Director	Ying-Chieh Lai																			
Director	Pi-Jung Hsieh																			
Director	Song-Yue Liao																			
Director	Chun-Chuan Wang	-				11,407	11,411	-	-	2,318	2,318	-	-	-	-	-	-	-	-	-
								(Note 3)	(Note 3)									(Note 3)	(Note 3)	
Director	Guo-Zhou Chen																			
Director	Xian-De Lai																			
Director	Mu-Chuan Huang																			
Independent Director	Kung-Cheng Lin																			
Independent Director	Po-Yao Chi																			
Director	Chuan-Sheng Liao (Note 2)																			
Director	Tien-Hsiang Lin (Note 2)																			
Director	Po-Ling Chiang (Note 2)																			

Note 1: Managing Director held a president concurrently President Ying-Che Chang till Sep 30, 2008.

Note 2: Director Chuan-Sheng Liao, Tien-Hsiang Lin, Po-Ling Chiang term expired after Shareholder's Meeting on Jun 19, 2008.

Note 3: Percentage ignored due to loss after tax in 2008.

## Classification of Remuneration

Classification of Remuneration for Directors	Name of Directors							
	Aggregate amount of A, B, and C				Aggregate amount of A, B, C, D, and E			
	Bank		Consolidation		Bank		Consolidation	
Under 2,000,000	Mu-Chuan Huang, Dong-Po Xie, Xian-De Lai, Song-Yue Liao, Pi-Jung Hsieh, Guo-Zhou Chen, Po-Ling Chiang, Yen-Chun Wang, Po-Yao Chi	Chun-Chuan Wang, Yao-Ting Li, Ying-Chieh Lai, Chuan-Sheng Liao, Chan-Wen Lin, Tien-Hsiang Lin, Ying-Che Chang, Kung-Cheng Lin,	Mu-Chuan Huang, Dong-Po Xie, Xian-De Lai, Song-Yue Liao, Pi-Jung Hsieh, Guo-Zhou Chen, Po-Ling Chiang, Yen-Chun Wang, Po-Yao Chi	Chun-Chuan Wang, Yao-Ting Li, Ying-Chieh Lai, Chuan-Sheng Liao, Chan-Wen Lin, Tien-Hsiang Lin, Ying-Che Chang, Kung-Cheng Lin,	Mu-Chuan Huang, Dong-Po Xie, Xian-De Lai, Song-Yue Liao, Pi-Jung Hsieh, Guo-Zhou Chen, Po-Ling Chiang, Kung-Cheng Lin,	Chun-Chuan Wang, Yao-Ting Li, Ying-Chieh Lai, Chuan-Sheng Liao, Chan-Wen Lin, Tien-Hsiang Lin, Yen-Chun Wang, Po-Yao Chi	Mu-Chuan Huang, Dong-Po Xie, Xian-De Lai, Song-Yue Liao, Pi-Jung Hsieh, Guo-Zhou Chen, Po-Ling Chiang, Kung-Cheng Lin,	Chun-Chuan Wang, Yao-Ting Li, Ying-Chieh Lai, Chuan-Sheng Liao, Chan-Wen Lin, Tien-Hsiang Lin, Yen-Chun Wang, Po-Yao Chi
2,000,000 - 5,000,000	Chun-Tse Liao		Chun-Tse Liao		Chun-Tse Liao, Ying-Che Chang		Chun-Tse Liao, Ying-Che Chang	
5,000,000 - 10,000,000	-		-		-		-	
10,000,000 - 15,000,000	-		-		-		-	
15,000,000 - 30,000,000	-		-		-		-	
30,000,000 - 50,000,000	-		-		-		-	
50,000,000 - 100,000,000	-		-		-		-	
Above 100,000,000	-		-		-		-	
TOTAL	18 (Person)		18 (Person)		18 (Person)		18 (Person)	

## (2) Supervisors' Remuneration

Unit: TWD thousand

Title	Name	Supervisors' Remuneration						Sum of A, B and C /after-tax profit (%)		Whether or not any compensation is received from other reinvested businesses than subsidiaries
		Rewards (A)		Earning Distribution (B)		Professional Practice (C)		Bank	Consolidation	
		Bank	Consolidation	Bank	Consolidation	Bank	Consolidation			
Managing Supervisor	Lien-Kui Wang									NIL
Supervisor	Dhe-Chin Lai									
Supervisor	Yong-Zhi Wang	-	-	-	-	3,342	3,342	-	-	
Supervisor	Guo-Zhao Xiao							Note 1	Note 1	
Supervisor	Zhuang-Tai Wang									

Note 1: Percentage ignored due to loss after tax in 2008.

## Classification of Remuneration

Classification of Remuneration for Supervisors	People of Supervisors					
	Aggregate amount of A, B, and C					
	Bank			Consolidation D		
Under 2,000,000	Lien-Kui wang, Dhe-Chin Lai,	Yong-Zhi Wang, Guo-Zhao Xiao,	Zhuang-Tai Wang	Lien-Kui wang, Dhe-Chin Lai,	Yong-Zhi Wang, Guo-Zhao Xiao,	Zhuang-Tai Wang
2,000,000 - 5,000,000	-			-		
5,000,000 - 10,000,000	-			-		
10,000,000 - 15,000,000	-			-		
15,000,000 - 30,000,000	-			-		
30,000,000 - 50,000,000	-			-		
50,000,000 - 100,000,000	-			-		
Above 100,000,000	-			-		
TOTAL	5 (Person)			5 (Person)		

# 3. Corporate Governance

## President and Senior Executive Vice Presidents' Remuneration

As of Dec 31, 2008, Unit: TWD

Title	Name	Salary	Bonus and Special Disbursement	Employee Bonus from Earning Distribution			Aggregate Amount of the Aforesaid Items	Total /after-tax profit (%)	Employee Share Subscription Warrants	Other Remuneration	
				Cash Dividend	Stock Dividends						
					Share	Price					Amount
President (Note 1)	Ying-Che Chang	6,763,630	3,320,356	-	-	-	-	10,083,986	-1.5719%	-	NIL
President (Note 1)	Chin-Ting Chang										
Chief Auditor (Note 2)	Lu-Ku Wang										
Chief Auditor (Note 2)	Shu-Yuan Tsai										
Senior Executive Vice President	Jung-Hsien Chiu										
Senior Executive Vice President	Tsai-Hsiung Liao										
Senior Executive Vice President	Chih-Sheng Hsiao										

## Classification of Remuneration

Classification of President and Senior Executive Vice Presidents' Remuneration	People of President and Senior Executive Vice Presidents	
	Bank	Consolidation
Under 2,000,000	Jung-Hsien Chiu, Shu-Yuan Tsai Chih-Sheng Hsiao, Lu-Ku Wang, Tsai-Hsiung Liao,	Jung-Hsien Chiu, Shu-Yuan Tsai Chih-Sheng Hsiao, Lu-Ku Wang, Tsai-Hsiung Liao,
2,000,000 - 5,000,000	Ying-Che Chang, Chin-Ting Chang	Ying-Che Chang, Chin-Ting Chang
5,000,000 - 10,000,000	-	-
10,000,000 - 15,000,000	-	-
15,000,000 - 30,000,000	-	-
30,000,000 - 50,000,000	-	-
50,000,000 - 100,000,000	-	-
Above 100,000,000	-	-
TOTAL	7 (Person)	7 (Person)

Note:

1. Ex-President Ying-Che Chang has retired on Oct 1, 2008. Senior Executive Vice President Chin-Ting Chang was promoted to President and Ex-Executive Vice President Chih-Sheng Hsiao was promoted to Senior Executive Vice President on Oct 1, 2008.
2. Ex-Chief Auditor Lu-Ku Wang has retired on Feb 3, 2008. Deputy Chief Auditor Shu-Yuan Tsai was promoted to Chief Auditor on Feb 4, 2008.

## List of Compensation Paid to President, Executive Vice Presidents and General Managers

As of Dec 31, 2008

	Title	Name	Stock dividends			Cash Dividends	Total Amount	Total Amount/Net Income (%)
			Shares	Price	Amount	Amount		
Manager	President	Chin-Ting Chang						
	Chief Auditor	Lu-Ku Wang						
	Chief Auditor	Shu-Yuan Tsai						
	Senior Executive Vice President	Jung-Hsien Chiu						
	Senior Executive Vice President	Tsai-Hsiung Liao						
	Senior Executive Vice President	Chih-Sheng Hsiao						
	Executive vice President	Shih-Chien Chin						
	Executive vice President	Yun-Ching Wang						
	Executive vice President	Hsin-De Chang						
	Executive vice President	Chang-Lu Liu						
	Executive vice President	Tai-An chen						
	Executive vice President	Ho-Shun Chang						
	Department General Manager	A-Kuai Chen						
	Department General Manager	Chiu-Yun Huang						
	Department General Manager	Chih-Hui Chen						
	Department General Manager	Wei-Bin Lin						
	Department General Manager	Sheng-Li Hung						
	Department General Manager	Huan-Mou Cheng						
	Department General Manager	Jui-Sen Liao						
	Department General Manager	Kuang-Hsiung Huang						
	Chief Secretary	Chien-Cheng Hsu						
	Department General Manager	Hung-Tsang Chiang						
	Project Manage	Shun-Hsien Weng	-	-	-	-	-	0%
	Branch General Manager	Mao-Sheng Huang					(Note)	
	Branch General Manager	Pi-Li Hsu						
	Branch General Manager	Chung-Lung Tsai						
	Branch General Manager	Min-Chang Lin						
	Branch General Manager	Chih-Hung Huang						
	Branch General Manager	Hung-Ming Lai						
	Branch General Manager	Shih-Tsung Chou						
	Branch General Manager	Ho-Kuo Chang						
	Branch General Manager	Shih-Jung Chen						
	Branch General Manager	Chih-Peng Yang						
	Branch General Manager	Chia-Wen Ke						
	Branch General Manager	His-Hsien Wang						
	Branch General Manager	Feng-Jung Yeh						
	Branch General Manager	Chi-Shen Huang						
	Branch General Manager	Chiang-Chung Chuang						
	Branch General Manager	Hung-Chi Tung						
	Branch General Manager	Chi-Sheng Chang						
Branch General Manager	Shih-Tsung Liu							
Branch General Manager	Lu-Chen Liao							
Branch General Manager	Wen-Jeng Chen							
Branch General Manager	Ching-Hsu Hsu							
Branch General Manager	Ching-Sung Chen							

## Note:

The board of directors proposed not to accrue the bonus to employees and the remuneration to directors and supervisors on Mar19, 2009 because our company was net loss for the year 2008.

# 3. Corporate Governance

## 3-2-4. Ratio of Total Remuneration Paid to Directors, Supervisors, President and Vice Presidents over Past 2 Years to Net Income

Item	Total Amount / Net Income		
	Year 2008	Year 2007	%
Director	-	18.94%	Percentage ignored due to loss after tax in 2008.
Supervisor	-	5.67%	
Total	-	24.61%	

Remarks:

Transportation allowance and remuneration of director and supervisor is paid in accordance with guidelines of the bank's articles of incorporate and the resolution of stockholders' meeting.

Item	Total Amount / Net Income		
	Year 2008	Year 2007	%
President and Senior Executive Vice President	-1.5719%	15.8500%	-17.4219%

Remarks:

1. Remuneration for president and vice-president is paid by the resolve of the board of directors.
2. Payment of employee salary is calculated by relative regulations.
3. Employee bonus is distributed by the resolve of the annual general meeting and distributed regulation of employee bonus.
4. Performance bonus is paid by 2007's financial situation and regulations of performance evaluation.



### 3-3. Operation of Corporate Governance

#### 3-3-1. Operation status of board of directors: convened 7 meetings in the year 2008, and the records of attendance by directors and supervisors are shown as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Chairman	Chun-Tse Liao	7	0	100.00%	Reappointment election on Jun 19, 2008
Managing Director	Ying-Che Chang	7	0	100.00%	Reappointment election on Jun 19, 2008
Managing Director	Dong-Po Xie	7	0	100.00%	Reappointment election on Jun 19, 2008
Managing Director	Yao-Ting Li	5	0	71.43%	Reappointment election on Jun. 19, 2008
Managing (Independent) Director	Yen-Chun Wang	4	0	100.00%	Newly appointment election on Jun 19, 2008
Director	Chan-Wen Lin	7	0	100.00%	Reappointment election on Jun 19, 2008
Director	Ying-Chieh Lai	5	0	71.43%	Reappointment election on Jun 19, 2008
Director	Pi-Jung Hsieh	5	2	71.43%	Reappointment election on Jun 19, 2008
Director	Song-Yue Liao	5	0	71.43%	Reappointment election on Jun 19, 2008
Director	Chun-Chuan Wang	7	0	100.00%	Reappointment election on Jun 19, 2008
Director	Guo-Zhou Chen	6	1	85.71%	Reappointment election on Jun 19, 2008
Director	Hsien-The Lai	7	0	100.00%	Reappointment election on Jun 19, 2008
Director	Mu-Chuan Huang	7	0	100.00%	Reappointment election on Jun 19, 2008
Independent Director	Kung-Cheng LIN	4	0	100.00%	Newly appointment election on Jun 19, 2008
Independent Director	Po-Yao Chi	4	0	100.00%	Newly appointment election on Jun 19, 2008
Director	Chuan-Sheng Liao	0	0	0.00%	Removal election on Jun 19, 2008
Director	Tien-Hsiang Lin	3	0	100.00%	Removal election on Jun 19, 2008
Director	Po-Ling Chiang	3	0	100.00%	Removal election on Jun 19, 2008
Standing Supervisor	Lien-Kui Wang	6	0	85.71%	Reappointment election on Jun 19, 2008
Supervisor	Dhe-Chin Lai	7	0	100.00%	Reappointment election on Jun 19, 2008
Supervisor	Yong-Zhi Wang	7	0	100.00%	Reappointment election on Jun 19, 2008
Supervisor	Guo-Zhao Xiao	6	0	85.71%	Reappointment election on Jun 19, 2008
Supervisor	Zhuang-Tai Wang	7	0	100.00%	Reappointment election on Jun 19, 2008

#### Remarks:

- Matters specified in Article 14.3 of the Securities Exchange Act, or board resolutions where independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing: Independent directors have not implemented in year of 2007.
- Avoidance of interest by directors  
Name of director: Ying-Che Chang  
Issues: extend presidential term (Jun.20, 2008)  
Reasons for avoidance and attendance: President did not attend, vote or discuss.
- Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and immediately past years will be carried out: Articles for "nominating committee of directors and supervisors" have been founded and disclosed on the bank's web site, and other functional committees will be founded according as the bank's business condition.

#### 3-3-2. Operation status of the auditing committee:

The bank elected supervisors to execute the function of auditing committee.

# 3. Corporate Governance

## 3-3-3. Disclosure Information of Corporate Governance

### Status of COTA Bank's Corporate Governance and Comparison with "The Principles of Corporate Governance" of Banking

As of Dec 31, 2008

Item	Status of Operation	Differences from General Guideline of Banking and Reasons
I. Bank's equity structure and shareholder's right (1) Method to deal with suggestion of shareholder or argument. (2) Status of controlling the roster of major shareholders who own a relatively high percentage of shares and who have an actual control over the company, and of the ultimate controllers of those major shareholders. (3) Establishment of the firewalls and risk control with affiliated enterprises	(1) To entrust the appropriate corporate departments to handle matters pursuant to shareholder's suggestion immediately. Protected shareholder's equity. Justly dealing shareholder Court case accusation. (2) Trace the list of major shareholders monthly. (3) Our bank and related companies independently operate in financial, accounting, business and management aspect, evaluate operating profit and loss, carry out risk control as reference of the firewall.	(1) No difference (2) No difference (3) No difference
II. The composition and duty of board of directors (1) Establishment of Independent director. (2) Status of regular evaluation of the independence of the auditing CPA.	(1) 2008 Reelection for director and supervisor in shareholders' meeting (Implement 15 directors, including 3 independent directors ) (2) Annual assessment.	(1) No difference. (2) No difference
III. The composition and duty of board of directors (1) Establishment of independent supervisor. (2) Status of communication among supervisors, shareholder and staff of the bank	(1) The bank didn't nominate independent directors, (5 supervisors now) and five current supervisors in the bank perform their supervisory rights. (2) Supervisors may investigate the operational and financial condition of the Bank from time to time, and set up the directory of members for easy communicate.	(1) No difference. (2) No difference
IV. Status of communication with relative party.	Easy communication channels go by face to face/telephone/written/Internet.	No difference
V. Public disclosure of information (1) Set up website to disclosure financial report and corporate governance information. (2) Other method of public disclosure of information adopted (ex. provide English versions of information website, appoint personnel exclusively responsible for gathering and disclosing information, and establish a spokesperson system, process of conference call record in website.)	(1) <a href="http://www.cotabank.com.tw">www.cotabank.com.tw</a> as our website to disclosure financial report, corporate governance. (2) Designed Senior executive vice as spokesperson represented the Bank in public issues. Various departments are equipped with the specialist to be responsible for collecting and disclosure the information.	(1) No difference. (2) No difference
VI. Operations of the auditing committee and other functional committee of a bank.	Our bank pick the supervising mode and not implement auditing committee. Structural guidelines for "Nominating committee of directors and supervisors" have been set up, others will regard operating condition to set up.	No difference
VII. Please describe any difference between corporate governance with "The Principles of Corporate Governance":	2008 reelection for directors and supervisors in Shareholders' General Meeting, implement 5 supervisors and 15 directors (including 3 independent directors) has complied with "The Common Corporate Governance Requirements for The Banking Industry" and its details as above.	
VIII. Please describe the social responsibility measure and implement situation:	Advocates the human rights law spirit. According to labor standard law protect the staff rights and establishes the staff fraternity, provides the staff welfare. Responds the government environmental protection policy. Continues to participate in support society public welfare, academic culture and community concern activity and so on, Besides donates establishes three credit cooperative educational foundation implement the public welfare activity, insist on "Taken from the society, Benefit of community" the business spirit. For instance, assistance the children creative drawing competition in the Taichung, Central Taiwan Lantern Festival, the car free day in Taichung, Vienna New Year's Concert, Asia Cup Championship Games, The Terry Fox run for cancer research in Taichung, Taiwan fund for children and families activity and so on.	
IX. Other information regarding corporate governance. (Members of the board of director and supervisor participate in training courses, meeting record of Supervisors and directors' attendance, policy of risk management and the status of standard of risk measurement, consumers protection and the policy of relationship management, the rights of and relationships between interested persons voluntarily refuse, contracted for the independent directors and independent supervisors of duty insurance. ) :	1. Members of the board of directors and supervisors participate in training courses: Since Jun, 2005, after board of directors meeting, Taiwan Securities and Futures Institute have arranged 36-hr (including 12-hr reelection courses of director and supervisor) administration courses for us, and will arrange at least one director or supervisor every three years to participate in on-job education for trust manager. 2. Meeting record of supervisors' and directors' attendance: Besides extraordinary board meetings, we convene a quadrate conference every three months and invite supervisors to attend as observers. 3. The policy of risk management and standard of risk management: "Assets, Liabilities and Risk Management Committee" evaluate regularly operating risk and report to the board of directors. We obey rules of government and BIS to make policies of risk management to ensure our safety of administration and achievements. 4. Consumer's protection and the policy of corporate governance: Abided by standards of government of the Bank Association, we set up rules to follow the contract and provide complaint phone line and e-mail box to protect and satisfy consumers. 5. The rights of and relationships between interested persons voluntarily refuse: Members of the board of directors should refuse to vote on interested persons. Meeting notice for the board of directors have been marked Articles of "avoidance for interest", and projects related to directors and their interests emphasized the mark once more. 6. Contracted for the independent directors and independent supervisors of duty insurance: The bank have bought liability insurance for directors, supervisors and managers on February, 2007, and have been published in Corporate charter.	
X. If there exist corporate governance evaluation reports done by the company itself or outsourced to professional services providers, clear descriptions of the evaluation results, major shortcomings (or recommendations) and improvement status shall be given: None		

## 3-3-4. Enquiry for the Bank's "Corporate Governance Best-Practice Principles for Banks":

The Bank supplemented articles for "nominating committee of directors and supervisors" and disclosed on the Bank's web site ([www.cotabankcom.tw](http://www.cotabankcom.tw)).



### 3-3-5. Statement of Internal Control

#### COTA Commercial Bank Statement of Internal Control

Feb 27, 2009

To Financial Supervisory Commission

On behalf of the COTA Commercial Bank, we declare that during the period of Jan. 1, 2008 through Dec. 31, 2008 the Bank did conform to the provisions of the “Guidelines for the establishment of internal control and internal audit systems” by establishing an internal control system and undertaking risk management, and by having auditing carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Board of Directors and Supervisors. Careful assessment shows that with the exception of items listed in the attached chart, the internal control systems of and compliance with laws and regulations by the different units were all implemented effectively. This statement form part of the annual report and publicly disclosed. We understand that we are legally bound to SEC ordinance No.20, 32, 171 and 174.

Attested by

Chairman : Chun-Tse Liao

President : Chin-Ting Chang

Compliance Officer : Shu-Yuan Tsai  
and Chief Auditor

# 3. Corporate Governance

## Items for Improvement and Plan Table of Internal control

As of Dec 31, 2008

Items for Improvement	Improvement Measure	Target Date
1. Constant minimizing the ratios of NPL, expected the ratios to be less than 2.5%.	<ol style="list-style-type: none"> <li>1. NPL Management Center should actively superintend all branches to dun the overdue in haste.</li> <li>2. Strengthen credit preview and afterward management, training ability of credit review and preventing occurrence of overdue loans.</li> <li>3. Align credit review policies and develop diversified loan products, example as form SME Banking Center to enhance SME loan and finance management.</li> <li>4. Set up internal auditing procedures in line with new launched business. Firmly carry out internal auditing.</li> <li>5. Disperse risk and increase loan outstanding to lower the ratios of NPL.</li> </ol>	Launch active write-off to reach the general banking standards according to the plan of NPL management.
2. Move current branches to outer county city metropolis, expand the scale of deposits and loans, increase low interest deposit, develop fee income, enhance income generation and reduce risk of operation.	<ol style="list-style-type: none"> <li>1. Expand and move the branches to outer county city to diversified regional risk.</li> <li>2. Consider interest rate risk, control interest rate pricing policy and floating funds.</li> <li>3. Enhance training of the wealth management and account officer to expand new business, reduce risk of operation, carry out individual performance and enhance the function of Credit Management Dept.</li> <li>4. Set up corporate banking team in Nantun branch, and develop TWD and foreign currency enterprises.</li> <li>5. Enhance fee income of wealth management, issue subordinated debt once more and carry out capital increment, raise net value and BIS.</li> </ol>	Carefully plan to execute in the new business year.

### 3-3-6. CPA Audit Report

Pursuant to ordinance Act 25 of the "Guidelines for the Establishment of Internal Control and Internal Audit Systems", the Bank arranged KPMG certified public accountants to audit performance of internal control during the period of Jan 1, 2008 through Dec 31, 2008.

Certified public accountant's audit report as follows:

With the exception of items by suggested to improve, no major deficit is found (attaching homepage of auditor's report and suggestion statement).

## Independent Auditors' Report

According to the article 25 promulgated by Ministry of Finance R.O.C. on "Implementation Rules for Bank Internal Audit and Internal Control System", when a bank engages an accountant to audit its annual financial statements, it shall also ask the same accountant to audit its internal control system and express opinion regarding the accuracy of information provided in the financial statements as well as the implementation of the bank's internal control system, regulatory compliance system, and the appropriateness of bank's bad debt reserve policy.

On behalf of the KPMG, we accept being a consignor of COTA Commercial Bank to audit its internal control system and express opinion by article 28 of the same regulation during the period of Jan 01, 2008 through Dec 31, 2008 as attaching the range and result of audit report.

The audit report is intended only to present the "Financial Supervisory Commission Executive Yuan" and provide authorized persons.

**KPMG**

Feb 10, 2009

## Suggestion Statement

2008

Matter of disclose	Suggestion	Opinion of Administration
There exist quantity difference between physical unused ATM card and record book kept by Business Dept audited on Dec.05	Should carefully execute unused ATM card inventory control and keep good track of record book.	The Bank would improve inventory control by full quantity checking instead of random quantity checking when taking over from supplier.

# 3. Corporate Governance

## 3-3-7. Cases or Penalties due to Infliction of Laws and Regulations over the Past 2 Years: None

## 3-3-8. Major Resolutions of Shareholders Meeting or Board of Directors Meeting in Recent Year:

Year	Nature of Shareholders Meeting	Convoking Date	Major Resolutions
2008	Shareholders' General Meeting	Jun 19, 2008	<ol style="list-style-type: none"> <li>2007 earnings appropriation proposal and surplus earnings increase to issue the new stocks assignment.</li> <li>The 4th election for directors and supervisors.</li> <li>"Bank's memorandum" and "the rules for handling Acquisition and Disposal of Assets" revised.</li> </ol>

## 3-3-9. Disclosures of the Resignation or Dismissal of Managerial Officers in Charge of Financial or Accounting Reports

Title	Name	Dated of Appointed	Date of Dismissed	Reasons for Resignation or Dismissal
Chairman	Chun-Tse Liao	Jan 1, 1999		
President	Ying-Che Chang	Jan 1, 2000	Sep. 30, 2008	Retirement
President	Chin-Ting Chang	Oct 1, 2008		
Chief Auditor	Lu-Ku Wang	Apr 1, 2007	Feb. 3, 2008	Retirement
Chief Auditor	Shu-Yuan Tsai	Feb 4, 2008		
Accounting Dept. General Manager	A-Kuai Chen	Feb 21, 2000		

Note:

Managerial Officer in charge of Financial or Accounting Reports: Chairman, President, Accounting Dept., Chief Auditor.



### 3-4. Information on the Certified Public Accountant

#### 3-4-1. Information on the Professional Fees of the Certified Public Accountant

3-4-1-1. The fee paid for non-auditing services account for a proportion equal to one-quarter or above of auditing:

Unit: TWD thousand

Accountant Firm	Name of Accountant		Auditing Fee	Non-Auditing Fee					Period of Inspection by Accountant Covering a complete fiscal year			Remarks
				System Design	Corporate Registration	Human Resources	Others (note)	Sub-Total	Yes	No	Inspection Period	
KPMG	Jun-Man, Chen	Shi-Hua, Guo	1,460				460	460	V		2008	

Note: non-auditing fee including financial investigation TWD280 thousand, verification fee TWD70 thousand for converting capital surplus into capital fund and verification fee TWD70 thousand for write-off.

3-4-1-2. Whether the issuer changes its accounting firm and the amount of fees paid for auditing services during the year in which the change is made are lower than for the previous year: None

3-4-1-3. Whether the amount of fees paid for auditing services is lower than for the previous year by fifteen percent or more: None

#### 3-4-2. Information on Change of Attesting CPA:

Owing to KPMG internal account rearrangement, the attesting CPA were replaced by Shi-Hwa Guo and Jun-Man Chen in 2008.

**3-4-3. Whether the Bank's chairman, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None**

# 3. Corporate Governance

## 3-5. Change in Shareholdings and Pledged

### 3-5-1. Change in Shareholdings of Directors, Supervisors, Executives and Principal Officers

#### 3-5-1-1. Chang in Shareholdings Information

Title	Name	2008		Up To Jan 31, 2009	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman (major share holder)	Chun-Tse Liao	162,687	–	0	–
Managing Director	Ying-Che Chang	45,844	–	0	–
Managing Director	Yao-Ting Li	55,481	–	0	–
Managing Director	Dong-Po Xie	66,781	–	0	–
Managing Director	Yen-Chun Wang	0	–	0	–
Director	Chan-Wen Lin	53,954	–	0	–
Director	Pi-Jung Hsieh	(10,216)	–	0	–
Director	Sung-Yueh Liao	218,482	–	0	–
Director	Hsien-Te Lai	41,401	–	0	–
Director	Ying-Chieh Lai	35,801	–	0	–
Director	Chun-Chuan Wang	29,285	–	0	–
Director	Kuo-Chou Chen	61,560	–	0	–
Director	Mu-Chuan Huang	57,812	–	0	–
Director	Po-Yao Chi	52,470	–	0	–
Director	Kung-Cheng Lin	0	–	0	–
Standing Supervisor	Lien-Kui Wang	43,622	–	0	–
Supervisor	Dhe-Chin Lai	41,365	–	0	–
Supervisor	Yung-Chih Wang	132,642	–	0	–
Supervisor	Kuo-Chao Hsiao	237,498	–	0	–
Supervisor	Chuang-Tai Wang	296,428	–	0	–
Director & President	Chin-Ting Chang	55,857	–	0	–
Senior Executive Vice President	Jung-Hsien Chiu	25,970	–	0	–
Senior Executive Vice President	Tsai-Hsiung Liao	42,062	–	0	–
Senior Executive Vice President	Chih-Sheng Hsiao	15,071	–	0	–
Chief Auditor	Shu-Yuan Tsai	12,257	–	0	–
Executive Vice President	Shih-Chien Chin	6,590	–	0	–
Executive Vice President	Yun-Ching Wang	8,382	–	0	–
Department General Manager	Huan-Mou Cheng	5,397	–	0	–
Department General Manager	Chih-Hui Chen	258	–	0	–
Department General Manager	A-Kuai Chen	8,215	–	0	–
Department General Manager	Wei-Bin Lin	1,590	–	0	–
Department General Manager	Jui-Sen Liao	2,600	–	0	–
Department General Manager	Hung-Tsang Chiang	3,201	–	0	–
Project Manager	Shun-Hsien Wong	6,831	–	0	–
Department General Manager	Chiu-Yun Huang	1,240	–	0	–

Title	Name	2008		Up To Jan 31, 2009	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Department General Manager	Sheng-Li Hung	1,917	–	0	–
Department General Manager	Kuang-Hsiung Huang	5,802	–	0	–
Chief Secretary	Chien-Cheng Hsu	10,463	–	0	–
Executive Vice President	Hsin-The Chang	3,140	–	0	–
Executive Vice President	Ho-Shun Chang	5,147	–	0	–
Branch General Manager	Mao-Sheng Huang	2,965	–	0	–
Branch General Manager	Pi-Li Hsu	9,897	–	0	–
Executive Vice President	Tai-An Chen	14,855	–	0	–
Branch General Manager	Chung-Lung Tsai	7,091	–	0	–
Branch General Manager	Min-Chang Lin	3,761	–	0	–
Branch General Manager	Chih Hung Huang	6,287	–	0	–
Branch General Manager	Chang-Lu Liu	2,333	–	0	–
Branch General Manager	Hung-Ming Lai	4,779	–	0	–
Branch General Manager	Shih-Tsung Chou	7,593	–	0	–
Branch General Manager	Kuo-Ho Chang	725	–	0	–
Branch General Manager	Shih-Jung Chen	10,392	–	0	–
Branch General Manager	Chih-Peng Yang	3,021	–	0	–
Branch General Manager	Chia-Wen Ke	3,362	–	0	–
Branch General Manager	Feng-Jung Yeh	2,627	–	0	–
Branch General Manager	Hsi-Hsien Wang	1,480	–	0	–
Branch General Manager	Chiang-Chung Chuang	12,418	–	0	–
Branch General Manager	Hung-Chi Tung	5,514	–	0	–
Branch General Manager	Chi-Shen Chang	27,568	–	0	–
Branch General Manager	Shih-Tsung Liu	7,605	–	0	–
Branch General Manager	Lu-Chen Liao	4,638	–	0	–
Branch General Manager	Chi-Shen Huang	49,247	–	0	–
Branch General Manager	Wen-Jung Chen	4,044	–	0	–
Branch General Manager	Ching-Hsu Hsu	3,836	–	0	–
Branch General Manager	Ching-Sung Chen	4,167	–	0	–

### 3-5-1-2. Information of Shareholding Transfer

Name	Shareholding Transfer Reason	Date	Counterparty	Relation between Counterparty and COTA Bank, Director, Supervisor and shareholder whose shareholding more than 10% of the issuing amount	Shares	Price
Pi-Jung Hsieh	gift	Oct 23, 2008	Tsung-You Hsieh	Director Related Party	76,388	14.4
Tsai-Pao Hsieh Liu	gift	Oct 23, 2008	Tsung-Hsien Hsieh	Director Related Party	76,388	14.4

### 3-5-1-3. Shares Pledged Information: None

# 3. Corporate Governance

## 3-5-2. Related Party Transaction of First Ten Largest Shareholders

Shares Held (%)

Name	Shares Owned		Shares Owned by Spouses and Minors		Shares Held under Surrogate A/C		Top ten shareholders who meet the related party disclosures term of FASC NO.6 shall disclose name and relationship		Remark
	No. of Shares	%	No. of Shares	%	No. of Shares	%	name	relationship	
Chun-Tse Liao	4,810,896	1.31	11,427	0.00	None	None	None	None	
Tung Yang Business Co., Ltd Xian-De Lai	3,462,683	0.94	-	-					
Song-Yue Liao	3,317,218	0.90	45,715	0.01					
Guo-Zhao Xiao	3,059,514	0.83	-	-					
Shih-Ming Chuang	2,211,569	0.60	-	-					
Chin-Chang Lin	1,967,210	0.53	-	-					
Pi-Jung Hsieh	1,880,429	0.51	1,355,059	0.37					
Kuo-Chou Chen	1,820,418	0.49	-	-					
Li-Chu Lee	1,779,228	0.48	-	-					
Mu-Chuan Huang	1,709,602	0.46	399	0.00					

## 3-5-3. Consolidated Shareholdings: None





2008

# 4 Capital Arrangement



# 4. Capital Arrangement

## 4-1. Capital Shares and Dividends

### 4-1-1. Source of Capital

As of Dec 31, 2008

Month/Year	Issuing price (TWD)	Registered Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source	Other
Jan, 1999	10	318,373,096	3,183,730,960	318,373,096	3,183,730,960	Transform from the shares of former Credit Cooperative	Approved under the Document No.87736717 of MOF
Jul, 2004	10	324,740,558	3,247,405,580	324,740,558	3,247,405,580	Increased from retained earnings of 63,674,620	Approved under the Document No.0938011008 of MOF
Jul, 2005	10	333,734,078	3,337,340,780	333,734,078	3,337,340,780	Staff stock dividend increased from retained earnings of 16,868,570	Approved under the Document No.0940125559 of FSC
						Shareholder stock dividend increased from retained earnings of 73,066,630	
Jul, 2006	10	600,000,000	6,000,000,000	343,190,342	3,431,903,420	Staff stock dividend increased from retained earnings of 17,803,800	Approved under the Document No.0950130685 of FSC
						Shareholder stock dividend increased from retained earnings of 76,758,840	
Aug, 2007	10	600,000,000	6,000,000,000	355,599,141	3,555,991,410	Staff stock dividend increased from retained earnings of 3,971,370	Approved under the Document No.0960042314 of FSC
						Shareholder stock dividend increased from capital reserve of 120,116,620	
Aug, 2008	10	600,000,000	6,000,000,000	368,045,111	3,680,451,110	Increased from capital reserve of 124,459,700	Approved under the Document No.0970038581 of FSC

As of Dec 31, 2008

Type of Stock	Authorized Stock Capital			Remark
	Outstanding Capital Stock	Un-issued Share	Total	
Common Stock	368,045,111	231,954,889	600,000,000	not on the list of TSEC/OTC

## 4-1-2. Shareholder Structure

As of Dec 31, 2008

Category	Government Agency	Financial Institution	Other Institution	Individual	Foreign Institution and Foreigner	Total
Number of Shareholders	2	5	437	67,311	-	67,755
Number of Shares	1,165,359	14,480	9,077,887	357,787,385	-	368,045,111
Percentage	0.32%	-	2.47%	97.21%	-	100%

## 4-1-3. Distribution of Shareholders' Equity

### 4-1-3-1. Common Stock: Par Value of TWD10

As of Dec 31, 2008

Tier	Number of Shareholders	Number of Shares	Percentage (%)
1 - 999	48,570	9,964,388	2.71
1,000 - 5,000	11,084	19,277,438	5.24
5,001 - 10,000	1,146	7,344,287	2.00
10,001 - 15,000	4,037	46,504,388	12.64
15,001 - 20,000	209	3,549,307	0.96
20,001 - 30,000	598	14,125,173	3.84
30,001 - 50,000	711	29,368,676	7.98
50,001 - 100,000	753	50,406,345	13.70
100,001 - 200,000	376	51,604,101	14.02
200,001 - 400,000	182	49,192,144	13.37
400,001 - 600,000	35	16,461,720	4.47
600,001 - 800,000	17	11,384,722	3.09
800,001 - 1,000,000	6	5,244,251	1.42
1,000,001 and above	31	53,618,171	14.56
Total	67,755	368,045,111	100.00

### 4-1-3-2. Preferred Stock: None

# 4. Capital Arrangement

## 4-1-4. List of Major Shareholders

As of Dec 31, 2008

Name	Number of Shares	Percentage (%)
Chun-Tse Liao	4,810,896	1.31%

Note: Disclose the ratio of holding shares above 1%.

## 4-1-5. Market Value, Net Worth, Earnings, and Dividend per Share in Recent 2 Years

Item	Year	2008	2007	Up To Feb 28, 2009	
Market Value	Highest	N/A	N/A	N/A	
	Lowest	N/A	N/A	N/A	
	Average	N/A	N/A	N/A	
Net Worth	Before Distribution	12.58	14.92	12.70	
	After Distribution	12.58 (Note 2)	14.77	Note 3	
Earnings	Weighted Average Shares	368,045,111	355,599,141	368,045,111	
	Earnings per Share	before adjusted	(1.74)	0.18	0.08
		after adjusted	(1.74) (Note 2)	0.17	(Note 3)
Dividend (Note 1)	Cash dividends		0.1	0.1	0 (Note 2)
	Stock Dividends	Earnings	0	0	0 (Note 2)
		Capital Reserves	0.35	0.35	0 (Note 2)
	Dividends in Arrear		0	0	0
ROI Analysis (Note 4)	P/E Ratio		N/A	N/A	N/A
	P/D Ratio		N/A	N/A	N/A
	Cash Dividend Yield		N/A	N/A	N/A

Note 1: dividends of serial year means each year assigns the earnings of previous year.

Note 2: distribution number is to be confirmed after the approval of board of directors and the shareholder meeting.

Note 3: year 2008 hasn't ended.

Note 4: not applied as the Bank is not a listing company.

## 4-1-6. Dividend Policy and Executive Status

The Alternation of dividend policy will affect the market price of stock and the capability for future development. The advantages and disadvantages for that are even more difficult to be anticipated. COTA Bank, formerly a credit cooperative, used to pay out higher dividends. But nowadays, under intense competition banking environment, we would rather utilize dividend leverage to reach stable growth as well as increase marginal utility of capital. For the goal to align expansion of our business scale, profit and adequate capital ratio, we would adopt the residual dividend policy.

Our dividend policy is carried out by the access of "assignable earning distribution". After appropriate legal reserves, we distribute the full earnings to the staff and the shareholders. Our shareholders used to acquire admirable dividends as good as other banks. But for the coming years, the operating capital becomes ultra essential resulting from the need for opening new branches, developing new products, cutting NPL ratio, reducing the overdue loan and growing business

scale. It is helpful for COTA Bank's long-term business expansion by taking use of the accumulative legal earnings reserves.

According to article 35 of COTA Bank's articles of incorporate, earnings of fiscal year should pay taxes and offset prior year's losses and appropriate 30 % as legal reverse in turns. The remaining is regulated to distribute as follows:

1. Up to 10% as dividend to the shareholders.
2. Up to 3% as remuneration to the directors and supervisors.
3. 10% as bonus to staff.
4. Shareholder bonus.
5. Special reserves.

Before the legal reserve is accumulated up to the total capital, the highest cash dividends are limited to not over 15%.

#### 4-1-7. The Influence of Stock Dividends to Market Value and Earnings Per Share:

As no financial forecast required being announced, no disclose is needed.

#### 4-1-8. Staff Bonus and Remuneration to Directors and Supervisors:

In accordance to the article 34 of COTA Bank's Articles of Incorporate

#### 4-1-9. Repurchase Stocks: None

### 4-2. Issuance of Bank Debentures

Type of Bank Debenture	First Issuance of Bank Debentures (1st term of 2006)
Date Approved by central Competent Authority, Document No.	Executive Yuan, Financial Supervisory Commission September 9, 2005 Chin Kuan Yin (3) No.0940024574
Date of Issue	Mar. 28, 2006
Par Value	500,000, 1 million, 5 million and 10 million
Issue and transaction Place	Taiwan, R.O.C.
Denomination	New Taiwan Dollars
Issue Price	100
Total Amount	2.5 billion
Interest Rate	Type A: First 5 years 3.3%, Last 5 years 5% Type B: First 5 years, 1.20% over the Bank's Board's Index rate of time saving deposits. Last 5 years, 2.50% over the Bank's Board's Index rate of time saving deposit.
Term	10 years, maturing on Mar 28, 2016
Priority of Payment	The right to receive payment for sums due under the debenture (including principal and interest) takes precedence only over that of bank shareholders for distribution of surplus assets and is subordinate to the claims of all other creditors of the Bank.
Guaranteeing Institution	None

## 4. Capital Arrangement

Trustee	None
Underwriter	Jih-Sun Securities Co., Ltd./ Grand Cathay Securities Corporation
Certifying Lawyers	None
Certifying CPA	Chuan-Chuan Wu / Jun-Man Chen
Certifying Financial Institution	Hwa-Tai Commercial Bank Trust Dept.
Method of redemption	Principal paid upon maturity or The Bank is entitled to redeem by an announcement from Feb 1, 2011 to Mar 28, 2011
Unredeemed Balance	2.5 billion
Preceding Year's Paid-in capital	3,337,341,000
Preceding Year's Post-Audit Net Value	5,224,445,831
Performance Status	Normal
Sellback or Early Redemption conditions	The Bank is entitled to redeem by an announcement from Feb 1, 2011 to Mar 28, 2011 or Principal paid upon maturity
Rollover and Exchange Conditions	None
Restrictive Conditions	Subordinated
Capital Utilization plan	Raise the Bank's own capital and risk asset ratios
Amount of Registered Issuance Plus Outstanding Balance Already Issued as Ratio of Net Final Value of Issuance in Preceding Year.	47.85%
Whether or not recorded as qualified capital and type	Yes, Tier 2 Capital
Name of Rating Institution Date of Rating, and Rating Given	Taiwan Ratings Corporation Dec 31, 2008 Long-term: twBBB+ Short-term: twA-2 Outlook: Stable

### 4-3. Preferred Stock: None

### 4-4. Issuance of Depositary Receipt: None

### 4-5. Employee Stock Option Plan: None

### 4-6. Merging or Acquisition of Other Financial Institutions:

In recent year and up to the annual report is been printed, our bank do not merging or acquisition of other financial institutions.

### 4-7. Utilization of Capital Plan: None

2008

# Business Operation



**COTA**  
BANK

# 5. Business Operation

## 5-1. Business Report

### 5-1-1. Comparison over the Past Five Years

#### 5-1-1-1. Deposits

The amount of deposits as the end of 2008 totaled TWD97,454 million, increasing TWD3,822 million compared to year earlier at a rate of 4.08%. We intend to improve our quality and quantity of deposit structure, implement the entire-personnel marketing, enforce interaction with clients to develop business chances, and open up the prospects of the corporate salary remittance service. We also try to improve the functions of E-banking and phone banking, and to visit neighboring area to seek for new customers in the market.

In the deposits structure, our demand deposits stood at TWD30,840 million that was the 31.64% of the total deposits. Our time deposits stood at TWD66,614 million that was the 68.36% of the total deposits. In addition, we also have perspective business strategy and company appearance that can assist us to expand our business territory. Here follows deposit structure ratio analysis:

Structure of Deposits

Unit: TWD million: %

Items	2008		2007		2006		2005		2004	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Checking Deposits	1,345	1.38	1,479	1.58	1,566	1.64	1,577	1.91	1,348	1.83
Demand Deposits	8,725	8.95	8,311	8.88	8,260	8.63	6,036	7.31	5,211	7.09
Demand Savings Deposits	20,767	21.31	21,658	23.13	22,988	24.01	19,258	23.32	17,028	23.17
Time Deposits	14,881	15.27	14,608	15.60	17,129	17.89	15,312	18.54	13,069	17.78
Time Savings Deposits	51,733	53.09	47,570	50.80	45,770	47.81	40,396	48.92	36,843	50.13
Remittances	3	0.00	6	0.01	24	0.02	3	0.00	0	0.00
Total	97,454	100.00	93,632	100.00	95,737	100.00	82,582	100.00	73,499	100.00

#### 5-1-1-2. Loans

The amount of loans outstanding as the end of 2008 totaled TWD80,691 million; here follows the loan ratio analysis.



## Structure of Loans

Unit: TWD million: %

Items	Year	2008		2007		2006		2005		2004	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Overdrafts		132	0.16	167	0.20	155	0.19	40	0.06	42	0.07
Bill Discount		273	0.34	367	0.45	345	0.42	296	0.43	285	0.45
Car Loans		10,736	13.31	8,648	10.53	6,369	7.77	4,031	5.80	1,814	2.88
Mortgage loans		19,114	23.69	22,051	26.84	24,581	30.00	19,168	27.58	14,660	23.26
Other Unsecured Loans		26,481	32.82	26,445	32.18	26,986	32.94	27,157	39.07	27,096	42.99
Other Secured Loans		22,669	28.09	23,431	28.52	22,738	27.75	12,720	25.49	17,635	27.98
Allowances for Bad Debt		-1,017	-1.26	-709	-0.86	-68	-0.79	-626	-0.90	-689	-1.09
Sub Total		78,388	97.15	80,400	97.86	80,526	98.28	67,786	97.53	60,843	96.54
Acceptance receivable		35	0.04	4	0.00	22	0.03	11	0.11	14	0.02
Guarantee receivable		1,251	1.55	1,053	1.28	734	0.90	1,081	1.56	1,477	2.35
Allowances for Bad Debt		1,017	1.26	709	0.86	648	0.79	626	0.9	689	1.09
Total		80,691	100.00	82,166	100.00	81,930	100.00	69,504	100.00	63,023	100.00

Note: This table includes discount, overdraft, common loan, trade finance, overdue, draft purchase, acceptance draft receivable, and guarantee as well.

Due to Dual Cards storm continuing to attack private banking business plus other impacts such as weak domestic macroeconomic index and undulating living prices, real estate market is notably stricken. COTA Bank promoted loan business to take quality as a target by carefully controlling credit risk to reduce the impacts of dual-cards and the mortgage market.

COTA Bank sticks to BASEL II and seeks for operation efficiency improvement by listing risk management as capital allocation. We also want to ensure our shareholders' value and the rights of depositors by strictly monitoring bad debt ratios and upgrading asset quality in the hope of securing our competence and better profits.

## 5-1-1-3. Wealth Management

COTA Bank primarily focused on providing customers with specified trust businesses such as domestic/overseas trust funds, real estate trust funds, and insurance as well.

## Wealth Management

Unit: TWD million

		2008		2007		2006		2005		2004	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Insurance	Life Insurance	1,111	29	135	4	136	9	314	36	526	57
	Property Insurance	1	-	0.8	-	0.1	-	0.9	-	0.9	-
Trust Funds	Overseas Trust Funds	1,360	36	1,656	43	464	32	469	53	398	43
	Domestic Trust Funds	1,296	35	1,962	51	653	45	100	11	-	-
Trusts	Money Trusts	0.8	-	94	2	200	14	-	-	-	-
	Real Estate Trusts	27	-	20	-	-	-	-	-	-	-
Total		3,795.8	100	3,867.8	100	1,453.1	100	883.9	100	924.9	100

# 5. Business Operation

## 5-1-2. Business Plans for 2008

### 5-1-2-1. Operating Plans

#### 5-1-2-1-1. Organization Development

- To reallocate one branch in 2009
- To streamline operation process and build operation system to improve service efficiency
- To enhance in-house communication and track performance by establishing monthly/quarterly rating grade system.
- To increase deposit scale, tune up deposit structure and efficiently improve new business competence via data mining service system
- To maintain service qualities.
- To conform to BASEL II with building quantity index for loan system, risk capital requirement system and risk management operation improvement.
- To allocate backup system for ATM operation server and build up 3G wireless internet backup system between headquarter and branches, aiming to improve backup reaction ability.
- To modify and transfer the date columns for demand deposit and loan system, responding to the future coming year-100 of Republic of China.

#### 5-1-2-1-2. Consumer Banking

- To sift out VIP target clients and provide tailor-made services
- To enhance investors' on the pyramid top understanding of our Consumer Banking products
- To enlarge product service and private banking loan scale by innovating low-risk, value-added financial products
- To lift our sales team productivity by enforcing our on-the-job training for sales team members
- To better loan performance, credit investigation procedure, and real estate appraise procedure by strictly control of high-risk loan quality
- To target economic scale by standardizing and automating back office operation procedure to lower operation cost
- To secure bank profit and enlarge private banking business by streamlining personal loan credit-investigating procedure and focusing rebalance on quantity & quality of credit under risk-first rule
- To better ante-risk review and post-risk management by timely examining credit investigation operation status and asset quality, and irregularly adjusting product pricing and loan policies
- To maintain consumer banking center's optimal business model and adapt to the external competence and the change of regulation

#### 5-1-2-1-3. Corporate Banking

- To promote financing services for small-middle business enterprises by providing whole credit investigation project, including machine-collateralized loans to meet the need of governmental economy developing policy
- To effectively strengthen business competence by cooperating with domestic well-known machine producers to help quality small-middle business with capital expenditure financing
- To enhance BIS ratio by strengthening external guarantee of small and medium business, lowering credit risk and better the bank's profit in use of Small-middle Business Credit Guarantee Fund
- To enlarge credit asset scale, lower credit risk and strengthen credit quality, planning to provide corporate with tailor-made financial products concerning investment from asset/liability side

- To meet the need of clients and increase customer base and economic scale with strong credit analysis of operation revolving funding and financial innovation
- To benefit corporate banking business territory by enhancing professional personnel's training and marketing ability
- To match the policy of economic development and industrial upgrading promotion by providing the credit project and service to the enterprise and satisfying their funds need
- To better employee competence and bank profit by educating profession personnel with marketing ability and technology

#### 5-1-2-1-4. International Banking & Foreign Exchange Business

- To advance COTA Bank's reputation by enhancing international financial activities and take part in international syndication loans
- To strengthen cross-strait and triangle-trade financial business and expand OBU profit margin
- To continue building global remittance network and promote trade financing business for higher foreign exchange business profit
- To allocate adequately foreign exchange investment exposure and target high-rating overseas securities for higher foreign exchange business revenue
- To enforce profession personnel's foreign exchange know-how and training
- To provide clients with convenient E-banking foreign exchange service trading function.
- To apply new derivative financial products and strengthen interactions with peer domestic & foreign banks
- To build up a more efficient foreign exchange trade operation platform and strengthen risk management function by collaborating with IT department to plan new system for FX product data settlement

#### 5-1-2-1-5. Wealth Management

- To aggressively train financial consultants with tax-saving & legacy-planning ability to meet clients' need on asset value security and wealth growth
- To enhance internal control via self-investigation function by nonscheduled examination
- To evaluate financial management product carefully in the hope of matching clients' benefits, risk tolerance and product transparency via Wealth Management Product Committee
- To set up mutual credence with clients and periodically hold wealth management lectures & conferences to strengthen relationship
- To develop more efficient customer management system in order to provide financial consultants with better service & sale opportunities
- To lift the convenience and utilization rate of E-banking and reduce labor cost
- To build COTA Bank's brand name on wealth management and meet budget target by utilizing multi-media channels and integrate marketing function
- 8. To open up fee income source from mutual funds and insurance business by providing multi-products

#### 5-1-2-1-6. Asset & Liabilities Management, Risk Management and Funding

- To strictly control funding source and term/interest rate, lowering reprising risk, maximizing the bank's interest income, and increase profitability & firm value
- To lift operating performance under reasonable risk management by establishing complete asset-liability management function

# 5. Business Operation

- To gain stable low-cost funding source and better liability structure by educating customer base of deposit
- To meet the perspective profit target by strengthening management of interest-sensitive asset & liability gap
- To create funding profit and optimal funding allocation by seeking for layout under the rule of stability, securities and well-liquidity
- To enhance the bank's profit and competence by rebalancing loan structure and enlarging market shares,
- To set independent risk control unit to manage risks and build more complete risk control function, strengthening operation efficiency
- To build up the database of the operation risk loss confirming to BASEL II

## 5-1-2-1-7. Administration and Human Resource Management

- To continue a financial curriculum of the profession training, and promote employee's professional ability
- To take freezing head account as a policy for office personnel under the rule of no impact on business development and increase field personnel ratio at the same time
- To continue constructing E-personnel system and simplify human resource management process
- To start using on-line leave/absence system

## 5-1-2-1-8. Credit Card Business

- To enhance cooperation with authorized stores in order to inspire the clients' willing to use our credit card or installment projects
- To drive consuming amount growth by issuing new types of credit cards or creating reward projects collaborating with VISA
- To encourage employees to promote credit cards by setting reward/target projects
- To strengthen employees' marketing ability by increasing education
- To comply with the standards of the liability ratio (DBR < 22) and '358' monitoring policy
- To review liabilities ratio of customers every half year, adjusting interest rate and irregularly check unusual repayment or consumption situation
- To keep credit limit at 20% on cash overdraft with credit card and monitor the whole credit and liability situation of the credit card holders, downing credit limit if necessary
- To prevent authorized stores going out of business and effect clients' willing to repay by irregularly checking those store-owners' credit and asking for real estates as collaterals if necessary
- To take adequate risk management for non-qualified clients on amount and tenor if over limit
- To strengthen active account management and cut unnecessary expenditures by stopping authorization with no potential stores or closing no contribution accounts

## 5-1-2-2. Major Business Plans

In order to be "professional and high quality of community bank", bank dedicates to have stable growth on profitability and scale. COTA Bank expects to offer convenient service channels and multi-financial services for local clients in the spirit of "pursuing outstanding and putting people first".

By cautiously review possibility to improve operational status and upgrade business scope, Bank might possibly plan to sep-up new branches in Xinchu district, and gradually readjust location of the channels.

Also, Bank will actively strengthen the effectiveness of both physical and electronic internet financial service and expects to offer convenient service and high quality of value-added so as to create win-win strategy between Bank and client relationship.

In 2009, Bank will base on “safety and liquidity first, revenue second and growth third” as the basic principle and combine with implementation of new Basel Capital Accord so as to strengthen risk management, and expect to pursue long-term balance and development. Besides, Bank expects to deepen relationship with clients and further extend this network to create different market segmentation through “product generalization” strategy

Unit: TWD thousand: %

Business Item	2009 Budget	2008	Increase Volume	
			Amount	%
Average Balance of Deposits	97,000,000	93,659,673	3,340,327	3.57
Average Balance of Loans	80,000,000	77,302,602	2,697,398	3.49
Wealth Management (Trust Amount)	2,800,000	2,684,197	115,803	4.31
Wealth Management (Insurance Revenue)	12,044	12,740	(696)	(5.46)

### 5-1-2-3. Main Business Operation Target

#### 5-1-2-3-1. Deposits

Budgeted average deposit balance in year 2009 is TWD97,000 million which is TWD3,340million; 3.57% growth respectively; higher than year 2008 mainly because:

- To improve capital structure, low-rate deposit business expansion, deposit business from regional government and corporate salary transfer so as to strengthen current account ratio and cost of fund.
- To strengthen function on both physical and internet ATM, and build up an ATM monitoring system and an easy-pay platform for tax-paying, utility and credit card bills and tuition transfer etc services through the ACH system so as to reduce transaction volumes through OTC.
- To shorten procedures on deposits and remittances so as to strengthen service quality, client satisfaction and operational cost from each business unit.

#### 5-1-2-3-2. Loans

Budgeted year 2009 average lending balance is, TWD80,000 million higher than 2008, which is TWD2,697million with 3.49 % growth. Bank will keep tracking on NPL and on accelerating write-down on bad debt in order to effectively lower bad debt ratio and coverage ratio. The strategies are:

- To combine with the government “three-supports” policy so as to strengthen operational development on mid-cap clients and strengthen promotion on machinery lending through mechanism of “mid-cap trust guarantee funds”, and also to offer facilitation on corporate lending and lower Bank’s operational risk.
- To upgrade operational procedure and system capability through knowledge management and resource integration, build up clear job delegation and standard operation procedure (SOP) and upgrade both credit and valuation staffs’ proficiency knowledge.
- To strengthen risk valuation on credit 5P and management system by continuously “testing and adjusting” method, which base on credit rating mechanism and experience/target customers segmentation according to the data base of

## 5. Business Operation

return and VaR from car loan and housing loan etc, so as to upgrade capability on risk controlling and profitability.

- To combine with REITs, building financing and offshore lending business, and strengthen function on credit regional hub so as to expand market share.
- To build up risk management system, optimized credit risk model development and operational risk control through implementation of new Basel II so as to strengthen risk management.
- To strengthen connection among business unit, regional credit hub and credit committee so as to smooth credit procedure.
- To product origination, multi-channels development and data base marketing, Bank will timely review credit quality of clients and then adjust pricing and credit policy based on the result.

### 5-1-2-3-3. Wealth Management

In order to satisfy diversified needs from clients and further to increase fee income, Bank has set-up an insurance broker and expects to strengthen product origination capability on both investment and insurance - related products. In addition, Bank plans to recruit more financial managers so as to benefit investors and directly increase sales revenue.

Budgeted 2009 trust asset balance is TWD2,800 million, which is 4.31% growth, higher than 2008 by 115 million. Budgeted revenue from insurance sales in 2009 is TWD12 million, 0.7 million less than 2008, and -5.46% down.

Followings are status of the business

- To upgrade professional knowledge of financial managers; through strategy alliance with bank's insurance broker; and cautiously choose financial and insurance products so as to stably expand insurance business and get recognition from clients.
- To strengthen wealth management platform based on the consideration of safety and liquidity, and products innovation to assist investors' asset allocation.
- To adjust revenue structure to balance transactional fee income and account management fee.
- To increase both revenue from trust assets and fee income, Bank will keep promoting Money Trust and Real Estate Trust business.
- To develop effective customer management system to assist financial managers on business service and sales opportunity.

### 5-1-3. Market Analysis

Given domestic financial market shares have been occupied by major financial holdings and foreign investors and been believed it was inevitable to have further merge and acquisition event. And under the effective management from FSC, banks will continuously strengthen their own competition capability through internal or external integration. Besides, both rigid domestic sales policy on financial products and monetary policy eliminate banking sector's impact on global financial crunch. Even though interest rate keeps at a low level, the implementation of customers' debt exemption laws and increased reserve on NPL to early cope with possible operational risk, which might impacts to the revenue of financial sector in the short run, operation in financial market will absolutely be more stable in the long run. Besides, domestic economy was influenced by global economy easing, which impacted to expansion of export trades, fortunately central bank timely led interest rate to a low level and raise the fund to encourage internal demand so as to stimulus the recovery of local economy. Facing rapid financial market, Bank will keep strengthening operational quality, internal control and risk management, business scope and profitability so as to realize the target of country-wide bank.

## 5-1-4 Financial Commodity Research and Development Overview

### 5-1-4-1. Major Financial Product and New-created Units in Recent 2 Years

- Scale of Major Financial Product: Please refer to 5.Business Operation
- New-created business Schedule
  - Jan 2007: Set up Kaohsiung branch and Southern Consumer Banking Regional Center
  - Dec 16, 2008: Set up Xinzhuang branch
  - Jul 2008: Established subsidiary COTA Bank Insurance Broker Co., Ltd..

### 5-1-4-2. Expenditure and result of Financial Products Research and Development in Recent 2 years

#### 5-1-4-2-1. Expenditure and result of Financial Products Research and Development in Recent 2 years

- Expenditure and result of Financial Products Research and Development in recent 2 years. 2007: TWD3,856 thousand ; 2008: TWD4,172 thousand
- Developed in 2007, send and receive text management system, wealth management systems, education and training course management system, tangible assets management system and build VOIP (Voice over IP) and network video conference system in order to save costs and improve operating efficiency of each unit.
- Promoted and developed small and medium corporate loans business and improve financial services and competitive advantage to clients.
- VISA international organizations in 2008 Beijing Olympic Games sponsor, issued the “Beijing 2008 Olympic Games” Visa pay-wave Inductive Platinum Card.
- 2008 self-developed system of credit card accounts, PC asset management system, consumer banking center dedicated systems, electronic clearing systems, personnel leave/absence system.
- TANDEM mainframe replacement to complete the operation, re-development of interbank remittance, ATM, and debit card, such as the chip business systems, migrate to IBM mainframe operations.

#### 5-1-4-2-2. Financial Products Research and Development Project in the Future:

- Construction of sound risk management organizations and mechanisms to assess and monitor the efficiency of our surface by Superintendent of credit risk, market risk, operational risk and liquidity risk in order to enhance business performance and strengthen the asset quality.
- With the implementation of the new Basel II, the development of quantitative indicators of credit system, venture capital provision for the operating system to enhance the risk management operations.
- The completion of “cross branches and ATM host business systems” and redundant systems built in different places, with a total branch network among “3G wireless backup system” to build in order to enhance information system backup and disaster response capabilities.
- The research and development of derivative financial products, and providing customer advise.
- For 2011, we adjust the current system, the date of loan system and digitized field. Modify the business system to provide more of a 24 hour services.
- To introduce a full line of foreign exchange transactions online banking functions, with the development of information programs, foreign exchange transactions of e-commerce services.
- Plan the new system of foreign exchange products and build database of foreign exchange transactions, strengthen risk management function to establish efficient operating platform of the foreign exchange.

# 5. Business Operation

## 5-1-5. Long/Short Term Business Development Plan

5-1-5-1. Short Term Business Development Plan please refer to our profile of Business Plan for 2008.

5-1-5-2. Long Term Business Development Plan

- To raise the ratio of demand deposit and reduce working capital cost for enhancing profit.
- To adjust the structure of loan business and promote the business scale of corporate banking and consumer banking.
- To develop the Wealth Management Business by means of promoting the net interest income ratio of fee income.
- To strengthen loan business quality, lower outstanding of Non-Performing Loan and raise Coverage Ratio.
- To set up Operation Management and Risk Control System (including recognize, measure, communicate and monitor etc.) also strengthen the efficiency of risk management.
- With no doubt of steady, security and liquidity, we should find the way to settle plenty funds aggressively and make maximum profit by arranging funds properly.
- To build up IT Management System and information platform in order to display best effect by conforming IT system.

## 5-2. Human Capital

Information of Educational Background for Employees in Recent 2 Years

Item		Year	2007	2008	Up to Jan 31, 2009
Number of Employee			1,170	1,141	1,120
Average Age			34.96	35.74	36.68
Average Seniority			9.16	9.98	10.21
Structure of Education	PHD		0	0	0
	Master		37	40	40
	University/College		878	868	852
	Senior High School		248	227	222
	Below		7	6	6

Certificated Proficiency Tests of Employees		Total (Up to Jan 31, 2009)
Basic Proficiency Test for Bank Lending Personnel		369
Advanced Proficiency Test for Bank Lending Personnel		27
Proficiency Test for Bank Collateral Appraisal Personnel		10
Basic Proficiency Test for International Banking Personnel		201
Proficiency Test for Foreign Exchange Trading Personnel		31



Certificated Proficiency Tests of Employees	Total (Up to Jan 31, 2009)
Proficiency Test for Financial Planning Personnel	289
Proficiency Test for Trust Operations Personnel	574
Proficiency Test for Obligation & Debt Collection Personnel	165
Proficiency Test for Bank Internal Control and Audit Personnel	658
Proficiency Test for Financial Risk Management Personnel	2
Securities Investment Analysts	3
Senior Securities Specialist	96
Securities Specialist	77
Future Specialist	76
Securities Investment Trust & Consulting Professionals	83
Qualified Test for Bill Finance Specialist	30
Proficiency Test for Bond Specialist	14
Proficiency Test for Stock Affair Specialist	3
Basic Ability Test for Asset Securitization	2
Life Insurance Specialist	485
Test for Life Insurance Specialist (Foreign Currency Base) – Non Investing Insurance Products	33
Investing Insurance Specialist	258
Asset Insurance Specialist	375
Personal Risk Management	1
Financial Risk Management (FRM)	2
Accountant	1
Real Estate Broker	1
Land Registry Agent	1
Asset Insurance Agent	1
Life Insurance Agent	1
General English Placement Test – Advance	3
General English Placement Test – Basic	6

# 5. Business Operation

## 5-3. Responsibility and Ethical Code

COTA Bank is a famous financial institution in central Taiwan, which has been set up around for 93 years. In order to repay for society support, we set up "COTA Culture & Education Foundation" to develop the public welfare of elder persons concern as well as be the sponsor of society welfare, arts appreciation and communities cares such as Children Creative Drawing Contest, Day of No-Driving, Centennial Activity of Taichung Train Station etc., we pay full intention to participate and support. In order to create higher value of bank and under the foundation of stable operation and seek for better turning point, COTA Bank merged Fenyuan Credit Cooperatives, we combine the sources of both parties not only break the limit of operation scale but also have better asset quality and ability of getting profit that earns highest value of shareholders, employees and customers.

## 5-4. IT Equipment

COTA Bank uses IBM UNIX server for Business System, Testing System, Interbank Business and Utility System separately. Furthermore, we also uses Windows server and Linux server depend on different business.

Now our working software includes Demand Deposits System, Time Deposit System, Comprehensive Deposit System, Bill Collection System, Financial Consultants System, Credit System, Trust Business System, Checks Clearing System, ATM & Chip-Card System, Internet Banking System, Automatic Phone Voice Service System, Correspondent System, Credit Checking System, Chops System, Staff Field System (including E-Document System, Staff Management System, Personnel & Wages System, Operation Analysis System, Credit Review System, Messaging System, Information Transmitting System, Consuming Business System, SME Banking Business System, Wealth Management Business System, Joint-Credit MQ Information System, Teaching film Platform, Field of Staff and Banking Business...), Accounting System, Safe System, Foreign Exchange System (DBU and OBU), Credit Card System etc.

The new development Credit Card System of COTA Bank has been working from Jan 1, 2008. The re-developed systems all resumed from Aug 16, 2008 that included interbank transmission, ATM and chip card in order to replace TANDEM by using IBM server.

COTA Bank uses Mirror Disks to protect all transactions data completely and keeps duplicates of disc and magnetic film every working day also for CD-ROM periodically. To enhance secure transactions, we set up strictly control and management of Internet banking platform. Furthermore, we dispose another control room and backup system to prevent any damage from disaster.

## 5-5. Labor-Management Relations

### 5-5-1. To stabilize the quality of staff life and improve the efficiency, COTA Bank takes care of the welfare for staff with regard to give birth, marriage and funeral affairs, medical treatment and accidents.

#### 5-5-1-1. Group Insurance

In accordance with laws and decrees, COTA Bank applies Labor Insurance and National Health Insurance for all staff. We will give cash and medical payment through Bureau of Labor Insurance and Bureau of National Health Insurance separately if any accident. Moreover, we have accident insurance with Shin Kong Life too for all staff.

#### 5-5-1-2. Bonus

Depends on operations, COTA Bank provides extra bonus at Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival each year. The net earnings by fix ratio are used to be bonus for staff with good performance after covering prior years' deficits, pay income tax, legal reserves and distribute dividends.

#### 5-5-1-3. Incentive Interest Rate

COTA Bank provides favorable interest rate of deposits or loan for all staff.

#### 5-5-1-4. Security and Hygiene

To prevent occupational disaster and ensure staff health, COTA Bank takes care of security and hygiene in accordance with related laws of worker safety sanitation.

#### 5-5-1-5. Staff Proficiency Training

To enhance the level of our employee of profession, we are holding training courses and professional lessons.

COTA Bank pension fund is pursuant to old version and updated version (from Jul 16, 2008) of "Staff Retirement Plan". The benefit payments and credits suit separately by the above-mentioned plans and based on the years of service and final salary. In accordance with Labor Law, we will calculate 15% of total salaried employees by month (exclude appointed managerial employee) to be retirement payment that was deposited in the pension account in the Central Trust of China. We have another account for appointed management that calculated 8% of their salary each month. Till end of Jan 2009, under the survey of all employees, there are 443 staff (39.55% of employees) chose the old system or didn't make decision temporarily, 677 staff (60.45% of employees) chose new system. COTA Bank has no any argument between labors and capital at present.

#### 5-5-2. Damage from Argument between Labor and Capital in Recent 2 Years

All personnel management and staff welfares of COTA Bank are conformed to Labor Law. We retain agreeable labor-capital relationship and never suffered damage from arguments and wish so for future.

# 5. Business Operation

## 5-6. Major Contracts

Nature of Contract	Concern Party	Contractual Period	Major Content
Deposit Insurance Contract	Central Deposit Insurance Corp.	Engaged on Aug 15, 1995	To enhance protection of customer deposits
Bank Comprehensive Insurance	Chung Kuo Insurance Company	From Apr 1, 2008 to Apr 1, 2009	<ol style="list-style-type: none"><li>1. Staff unfaithful behavior</li><li>2. Asset of branches</li><li>3. Asset in transit</li><li>4. Forged drafts and securities</li><li>5. Forged cash</li><li>6. Damage of equipment</li><li>7. Fault of securities or contracts</li></ol>

## 5-7. Apply for Securitization and Related Information in Recent Year: None



2008



# Financial Status



# 6. Financial Status

## 6-1. Summarized Balance Sheet and Income Statement over the Past Five Years

### Balance Sheet

Unit: TWD thousand

Descriptions	Year	Financial data during 2004~2008				
		2008	2007	2006	2005	2004
Cash, Cash equivalents, due from banks, deposit with the Central Bank		19,369,246	7,268,991	16,566,863	14,264,262	9,377,201
Marketable securities		-	-	-	-	6,209,940
Financial assets measured at fair value through profit or loss		1,474,982	605,084	476,169	190,835	-
Bonds and bills purchased under resale agreements receivables		797,105	1,935,909	1,397,851	2,184,610	-
Available-for-sale financial assets		1,750,932	1,268,543	889,701	509,130	-
Bank draft, discounts and Loans		78,388,068	80,400,663	80,526,411	67,785,961	60,843,19
Receivables		723,584	844,029	1,225,766	1,695,543	747,642
Held-to-maturity financial assets		440,288	7,210,231	1,219,801	114,480	-
Investments under equity method		5,606	-	-	-	-
Long-term investments		-	-	-	-	183,820
Fixed assets		1,343,527	2,096,518	1,430,028	1,017,724	1,027,271
Goodwill		169,572	170,406	154,027	-	-
Other financial assets		621,515	598,863	197,571	212,000	-
Other assets		819,727	665,670	1,368,801	1,280,065	1,493,051
<b>Total Assets</b>		<b>105,904,152</b>	<b>103,064,907</b>	<b>105,452,989</b>	<b>89,254,610</b>	<b>79,882,117</b>
Due to Central bank and other banks		42,560	424,020	662,901	407,993	469,291
Deposits & remittance		97,454,023	93,632,443	95,736,553	82,581,945	73,499,263
Financial liabilities measured at fair value through profit or loss		1,004	270	311	-	-
Bonds and bills purchased under repurchased agreements receivables		-	-	-	-	-
Subordinate financial debentures		2,497,792	2,496,811	2,495,830	-	-
Accrued pension liability		69,227	163,633	173,728	143,785	167,313
Other liabilities		1,207,894	1,043,864	1,073,071	814,341	801,425
Total liabilities	Before allocation	101,272,500	97,761,041	100,142,394	83,948,064	74,769,979
	After allocation	(Note)	97,802,321	100,177,905	84,030,164	74,848,106
Common stock		3,680,451	3,555,991	3,431,904	3,337,341	3,247,406
Capital reserve		1,199,457	1,323,875	1,511,256	1,511,202	1,473,007
Retained earnings	Before allocation	(321,358)	361,446	367,435	458,003	371,725
	After allocation	(Note)	320,166	327,953	281,340	203,663
Unrealized gains on financial instruments		5,231	5,616	40,377	-	-
Cumulative translation adjustment		577	(59)	10	-	-
Other shareholder's equity		67,294	56,997	56,268	-	-
Total Shareholders' equity	Before allocation	4,631,652	5,303,866	5,310,595	5,306,546	5,112,138
	After allocation	(Note)	5,262,586	5,275,084	5,224,446	5,034,011

Note:

On Mar.19, 2009, the board meeting resolved no allocation of the stock dividend, employ's bonus and director bonus, due to loss in 2008, pending subject to admit in the Shareholders' general meeting.

## Concise Income Statement

Unit: TWD thousand

Descriptions	Year	Financial data during 2004~2008				
		2008	2007	2006	2005	2004
Net interest income		1,624,219	1,579,358	1,482,332	1,319,527	-
Other net interest income		(194,483)	448,140	520,725	529,832	-
Bad debt expense		678,683	610,366	612,984	295,151	-
Operating expense		1,446,034	1,340,924	1,314,820	1,247,633	-
Operating income		-	-	-	-	2,284,398
Operating expense		-	-	-	-	2,038,225
Net income (loss)		(1,110,985)	8,373	44,358	230,081	246,173
Non-operating income		-	-	-	-	38,016
Non-operating expenditures		-	-	-	-	3,972
Income from continuing operations before income taxes		(694,981)	76,208	75,253	306,575	280,217
Income from continuing operations after income taxes		(641,524)	62,854	47,523	254,340	240,980
Gain(loss) from discontinuing operations (after income taxes)		-	-	-	-	-
Extraordinary gain or loss (after income taxes)		-	-	-	-	-
Cumulative effect of changes in accounting principle Net income(after income taxes)		-	-	9,211	-	-
Net income		(641,524)	62,854	56,734	254,340	240,980
Earnings per share		(1.74)	0.18	0.16	0.72	0.68

## 1. Certified public accountants:

Chuan-Chuan Wu and Jun-Man Chen for 2004~2006,

Jun-Man Chen and Yuan-Chen Mei for 2007.

Jun-Man Chen and Sh-Hua Guo for 2008.

## 2. Opinions: unqualified opinion for 2004~2005, modified unqualified opinion for 2006~2007 and unqualified opinion for 2008.



Financial Status

# 6. Financial Status

## 6-2. Analysis on Major Financial Ratios for Recent Five Years

Descriptions		Year	Financial analysis during 2004~2008				
			2008	2007	2006	2005	2004
Operating Capability	Loans to deposits ratio (%)	81.48	86.63	84.79	82.48	83.72	
	Overdue loan ratio (%)	2.68	2.92	2.95	2.78	2.68	
	Interest expense to average balance of deposits ratio (%)	1.97	1.79	1.57	1.31	1.18	
	Interest income to average balance of loans ratio (%)	4.37	4.03	3.81	3.68	3.51	
	Total assets turnover (times)	0.01	0.02	0.02	0.02	0.03	
	Average operating revenue per employee	3,392	3,226	3,105	3,026	2,673	
	Average earnings per employee	(562)	54	51	265	277	
Profitability	Return on first capital type assets (%)	(14.97)	1.26	1.64	5.95	5.62	
	ROA (%)	(0.61)	0.06	0.06	0.36	0.37	
	ROE (%)	(12.91)	1.18	1.07	5.89	5.57	
	Net income ratio (%)	(44.87)	3.10	2.83	13.75	12.27	
	EPS (loss)(USD)	(1.74)	0.18	0.16	0.71	0.68	
Financial structure	Ratio of liabilities to assets	95.63	94.85	94.96	94.05	93.60	
	Ratio of fix assets to shareholder's equity	29.01	39.53	26.93	19.18	20.09	
Growth Rate	Asset growth rate (%)	2.75	(2.26)	18.15	11.72	11.39	
	Profitability growth rate (%)	(1011.95)	(9.77)	(72.45)	9.41	9.87	
Cash flow	Cash flow ratio	Not applicable	92.21	45.41	52.69	41.74	
	Cash flow adequacy ratio	584.02	563.23	440.41	376.45	368.18	
	Ratio of cash flow for operating to cash flow from investing	Not applicable	159.72	(7.33)	(7.07)	(7.21)	
Liquid Reserves Ratio (%)		15.85	11.19	13.06	11.24	13.32	
Secured Loans to Related Parties (USD thousand)		941,400	915,200	956,476	870,323	551,459	
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		1.17	1.11	1.17	1.25	0.88	
Operation Scale	Market share of assets (%)	0.26	0.31	0.33	0.29	0.27	
	Market share of net worth (%)	0.22	0.27	0.28	0.28	0.29	
	Market share of deposits (%)	0.36	0.44	0.45	0.41	0.38	
	Market share of loan (%)	0.43	0.45	0.46	0.40	0.39	

1. The decrease 50% of Total assets turnover, main causes the investment profits is inferior and net operating revenue decrease result in assets impairment loss is recognized.
2. The decrease 1141% of Average earnings per employee, decrease 1117% of ROA, decrease 1194% of ROE and decrease 1547% of EPS, main causes investment profits is inferior and assets impairment loss is recognized, decrease 7 hundred millions than prior net income.
3. The decrease 1288% of return on first capital type assets and increase 10258% of Profit ability recession, due to loss in 2008, decrease 7.7 hundred millions than prior Pre-tax income.
4. The decrease 1547% of net income ratio causes decrease 7 hundred millions of net income and decrease 6 hundred millions of net revenue.
5. The decrease 27% of ratio of fix assets to shareholder's equity is mainly because the aggravating economy puts off the head office exploitation that translated the scheduled to head office to non occupied.
6. The decrease of 222% of assets growth rate, main causes deposit scale decrease about TWD2.1 billion in 2007, result in decreasing total assets in that year.
7. The increase 41.64% of Liquid Reserves Ratio, cause increasing of holding investment position.



Note:

1. Operating ability

- (1) Ratio of loans to deposits = Total loans / deposits
- (2) Ratio of overdue = (Loans Overdue + Other Overdue) / Total Loans
- (3) Ratio of interest Cost to Annual Average Deposits = interest Cost / Annual Average Deposits
- (4) Ratio of interest income to Annual Average Loans Outstanding = Interest Income / Annual Average Loans Outstanding
- (5) Total Assets Turnover = Net Operating Revenue / Total Assets
- (6) Average Operation Revenue per Employee = Net Operating Revenue / Number of Employees
- (7) Average Profit per Employee = After-tax Income / Total Number of Employees

2. Profitability

- (1) Return on Tier I Capital = Pretax Earnings or Losses / Total Average Tier I Capital
- (2) Return on Assets = Net Income / Average of Total Assets
- (3) Return on Shareholders' Equity = Net income / Average of Total Shareholders' Equities
- (4) Ratio of Net Income = Net Income / Total Revenue
- (5) Earning per Share = (Net Income – Preferred stock Dividend) / Average Weighted Outstanding Stock

3. Financial Structure

- (1) Ratio of Liabilities to Assets = Liabilities / Total Assets
- (2) Ratio of Fix Assets to Shareholders' Equity = Fix Assets / Shareholders' Equities

4. Growth Rate

- (1) Asset Growth Rate = (Total Assets of the Year - Total Assets of Previous Year) / Total Assets of Previous Year
- (2) Profit Growth Rate = (Pretax Earnings or Losses of the Year - Before-tax Earnings or Losses of Previous Year) / Pretax Earnings or Losses of Previous Year

5. Cash Flow

- (1) Ratio of Cash Flow = Net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss + bonds and bills sold under repurchase agreement + current portion of payables)
- (2) Ratio of Cash Flow Adequacy = Net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
- (3) Ratio of Cash Flow for operating to cash flow from investing = Net cash flow from business activities / Net cash flow from investing activities

6. Liquidity Reserves Ratio = Liquid Assets Stipulated by CBC / Reserves Appropriated for various Types of Deposits

7. Operating Scale

- (1) Market Share of Asset = Total Asset / Total Asset of the major financial institutions
- (2) Market Share of Net Worth = Net Worth / Total Asset of the major financial institutions
- (3) Market Share of Deposit = Total Deposit / Total Asset of the major financial institutions
- (4) Market Share of Loan = Total Loan / Total Asset of the major financial institutions

# 6. Financial Status

Unit: TWD thousand, %

Items		Year	Capital Adequacy Ratio of Recent Five Year				
			2008	2007	2006	2005	2004
Net Capital	Tier I Capital	Common Stocks	3,680,451	3,555,991	3,431,904	3,337,341	3,247,406
		Non-cumulative Perpetual Preferred Stocks	-	-	-	-	-
		Non-Cumulative Subordinated Debts Without Maturity Dates	-	-	-	-	-
		Advanced Receipts For Capital Stocks	-	-	-	-	-
		Capital Surplus(apart from fixed asset appreciation surplus)	1,199,457	1,323,875	1,443,962	1,443,908	1,443,908
		Legal Reserves	313,783	294,927	277,907	201,605	129,311
		Special Reserves	-	-	-	-	-
		Retained Earnings	-635,140	66,519	60,167	256,398	242,414
		Minority Interests	-	-	-	-	-
		Other of Equity	577	-10,356	29,361	-	-
		Minus: Goodwill	154,027	154,027	154,027	-	-
		Minus: Non-amortization of NPL Disposal Loss	-	-	-	-	-
		Minus: Others	102,248	97,446	120,492	96,910	96,910
	Total Tier I	4,302,853	4,979,483	4,968,782	5,142,342	4,966,129	
	Tier II Capital	Perpetual Cumulative Preferred Stocks	-	-	-	-	-
		Cumulative Subordinated Debts Without Maturity Dates	-	-	-	-	-
		Fixed Asset Appreciation Surplus	67,294	67,294	67,294	67,294	49,099
		45% of Unrealized Gain of Financial Assets in Available-for-sale	2,354	2,527	-	-	-
		Convertible Bonds	-	-	-	-	-
		Operating Reserves and Loan Loss Provision	13,925	1,284	2,211	15,095	40,312
		Long-term Subordinated Debts	2,151,427	2,489,741	2,500,000	-	-
		Non-perpetual Preferred Stocks	-	-	-	-	-
		The Average of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts Without a Maturity Date Exceed 15% of Total Tier I Capital	-	-	-	-	-
		Minus: Others	102,247	97,446	120,491	96,910	96,910
	Total Tier II	2,132,753	2,463,400	2,449,015	-14,521	-7,499	
	Tier III Capital	Short-term Subordinated Debts	-	-	-	-	-
		Non-perpetual Preferred Stocks	-	-	-	-	-
Total Tier III		-	-	-	-	-	
Net Capital		6,435,606	7,442,883	7,417,797	5,127,821	4,958,630	

Items		Year	Capital Adequacy Ratio of Recent Five Year				
			2008	2007	2006	2005	2004
Total Weighted Risk Assets	Credit Risk	Standardized Approach	54,553,316	58,639,906	62,652,619	53,197,335	44,236,706
		Internal-rating-based Approach	-	-	-	-	-
		Securitization	-	-	-	-	-
	Operational Risk	Basic Indicator Approach	3,346,650	3,563,313	-	-	-
		Standardized Approach / Alternative Approach	-	-	-	-	-
		Advanced Measurement Approach	-	-	-	-	-
	Market Risk	Standardized Approach	2,891,763	2,257,538	2,306,750	1,261,025	629,475
		Internal Model Approach	-	-	-	-	-
	Total Risk-weighted Assets		60,791,729	64,460,757	64,959,369	54,458,360	44,866,181
Capital Adequacy Ratio		10.59	11.55	11.42	9.42	11.05	
Tier I Capital to Risk Assets Ratio		7.08	7.72	7.65	9.44	11.07	
Tier II Capital to Risk Assets Ratio		3.51	3.82	3.77	-0.03	-0.02	
Tier III Capital to Risk Assets Ratio		-	-	-	-	-	
COE to Total Assets Ratio		3.48	3.45	3.25	3.74	4.07	
Reasons for changes of capital adequacy ratios for the last 2 years: None							

**Note:**

1. Net Capital Base = Tier I Capital + Tier II Capital + Tier III Capital
2. Total Weighted Risk Asset = Credit Risk Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
3. Capital Adequacy Ratio = Net Capital Base / Total Risk Asset
4. Ratio of Tier I Capital to Risk Asset = Tier I Capital / Total Risk Asset
5. Ratio of Tier II Capital to Risk Asset = Tier II Capital / Total Risk Asset
6. Ratio of Tier III Capital to Risk Asset = Tier III Capital / Total Risk Asset
7. Ratio of Common Share Equity to Total Asset = Common Share Equity / Total Asset



# 6. Financial Status

## 6-3 Supervisors' Audit Report

### COTA Commercial Bank Co., Ltd., Supervisor's Audit Report for Year 2008

Mar 19, 2009

To: Shareholders' General Meeting of Year 2009

The Business Report, Financial Statement, Consolidated Financial Statement and Statements of deficit compensated of Fiscal 2008, worked out and submitted by COTA Bank board of directors have been duly audited by KPMG Certified Public Accountants, and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

Standing Supervisor : Lien- Kui Wang

Supervisor : Dhe-Chin Lai

Supervisor : Guo-Zhao Xiao

Supervisor : Zhuang-Tai Wang

Supervisor : Yong-Zhi Wang

## 6-4. Independent Auditors' Report

To The Board of Directors  
COTA Commercial Bank Co., Ltd.:

We have audited the balance sheets of COTA Commercial Bank Co., Ltd. (the Company) as of Dec 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibilities of the Company's management. Our responsibilities are to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the Republic of China Guidelines for Certified Public Accountants' Examinations and Reports on Financial Statements for Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COTA Commercial Bank Co., Ltd. as of Dec 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Report by Bank," "Regulations Governing Financial Reporting for Financial Institutions," the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling," and Republic of China generally accepted accounting principles.

COTA Commercial Bank Co., Ltd. Has separately prepared Consolidated Financial Statements for the year ended Dec 31, 2008, on which we have issued an modified unqualified opinion in our report dated Feb 10, 2009.



Feb 10, 2009

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

The financial statements are the English translation of the Chinese version prepared and used in the Republic of 61 China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

# 6. Financial Status

## COTA Commercial Bank Co., Ltd. Balance Sheets Dec 31, 2008 and 2007

(Expressed in thousands of New Taiwan Dollars)

	2008	2007	Change of percentage
<b>Assets</b>			
Cash and cash equivalents (note 4)	\$ 2,004,880	1,861,353	8
Due from Central Bank and call loans to other banks (note 5)	17,364,366	5,407,638	221
Financial assets measured at fair value through profit or loss (note 6)	1,474,982	605,084	144
Bonds and bills purchased under resale agreements	797,105	1,935,909	(59)
Receivables, net (notes 7 and 26)	723,584	844,029	(14)
Loans, net (note 8)	78,388,068	80,400,663	(2)
Available-for-sale financial assets, net (notes 9 and 27)	1,750,932	1,268,543	38
Held-to-maturity financial assets, net (notes 10 and 27)	440,288	7,210,231	(94)
Long-term investments under equity method (note 11)	5,606	-	-
Other financial assets (note 12)	621,515	598,863	4
Premises and equipment, net (note 13)	1,343,527	2,096,518	(36)
Intangible assets (note 14)	169,572	170,406	-
Deferred income tax assets (note 23)	179,026	100,373	78
Other assets (note 15)	640,701	565,297	13
<b>Total Assets</b>	<b><u>\$ 105,904,152</u></b>	<b><u>103,064,907</u></b>	<b>3</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities:</b>			
Due to Central Bank and other banks (note 16)	42,560	424,020	(90)
Financial liabilities measured at fair value through profit or loss (note 17)	1,004	270	272
Payables (note 18)	742,021	622,766	19
Deposits and remittances (note 19)	97,454,023	93,632,443	4
Subordinate financial debentures (note 20)	2,497,792	2,496,811	-
Accrued pension liability (note 21)	69,227	163,633	(58)
Other liabilities	465,873	421,098	11
<b>Total liabilities</b>	<b><u>101,272,500</u></b>	<b><u>97,761,041</u></b>	<b>4</b>
<b>Stockholders' equity (note 22):</b>			
Common stock	3,680,451	3,555,991	4
Capital reserve	1,199,457	1,323,875	(9)
<b>Retained earnings:</b>			
Statutory reserve	313,783	294,927	6
Undistributed earnings (Accumulated deficit)	(635,141)	66,519	(1,055)
	<u>(321,358)</u>	<u>361,446</u>	<u>(189)</u>
<b>Equity adjustments</b>			
Land revaluation increments (note 13)	67,294	67,294	-
Cumulative foreign currency translation adjustments	577	(59)	1,078
Unrealized gains on financial instruments	5,231	5,616	(7)
Unrecognized pension cost	-	(10,297)	-
	<u>73,102</u>	<u>62,554</u>	<u>17</u>
<b>Total stockholders' equity</b>	<b><u>4,631,652</u></b>	<b><u>5,303,866</u></b>	<b>(13)</b>
Commitments and contingencies (note 28)			
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 105,904,152</u></b>	<b><u>103,064,907</u></b>	<b>3</b>

The financial statements are the English translation of the Chinese version prepared and used in the Republic of 62 China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

## COTA Commercial Bank Co., Ltd.

### Statements of Income

#### For the Years Ended Dec 31, 2008 and 2007

(expressed in thousands of New Taiwan Dollars, except for earning per share)

	2008	2007	Change of percentage
Interest income (note 26)	\$ 3,504,369	3,273,720	7
Less: interest expense (note 26)	<u>1,880,150</u>	<u>1,694,362</u>	11
Net interest income	1,624,219	1,579,358	3
Non-interest income, net			
Service fees income, net (note 26)	253,425	296,228	(14)
Gain (Loss) on financial assets or liabilities measured at fair value through profit and loss	(66,208)	21,312	(411)
Realized gain on available-for-sale financial assets	-	33,674	-
Investment income recognized under equity method (note 11)	606	-	-
Foreign exchange gains, net	23,965	13,361	79
Impairment loss (notes 12 and 15)	(458,891)	(1,530)	(29,873)
Other non-interest income, net	<u>52,620</u>	<u>85,095</u>	(38)
Net revenue	<u>1,429,736</u>	<u>2,027,498</u>	(29)
Bad debt expense (note 8)	<u>678,683</u>	<u>610,366</u>	11
Operating expense:			
Personnel expenses	990,659	858,114	15
Depreciation and amortization expenses	65,634	64,914	1
Other general and administrative expense	<u>389,741</u>	<u>417,896</u>	(7)
Total operating expense	<u>1,446,034</u>	<u>1,340,924</u>	8
Income (Loss) before income taxes	(694,981)	76,208	(1,012)
Income tax benefit (expense) (note 23)	<u>53,457</u>	<u>(13,354)</u>	500
Net income (loss)	<u>\$ (641,524)</u>	<u>62,854</u>	(1,120)
	<b>2008</b>	<b>2007</b>	
	<b>Before</b>	<b>After</b>	<b>Before</b>
	<b>income tax</b>	<b>income tax</b>	<b>income tax</b>
Basic Earning per Share (in TWD) (note 24)	<u>\$ (1.89)</u>	<u>(1.74)</u>	<u>0.21</u>
Basic Earning per Share – retroactively adjusted			<u>\$ 0.21</u>
			<u>0.17</u>

The financial statements are the English translation of the Chinese version prepared and used in the Republic of 63 China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

Financial Status

# 6. Financial Status

## COTA Commercial Bank Co., Ltd. Statements of Changes in Stockholders' Equity For the Years Ended Dec 31, 2008 and 2007

(Expressed in thousands of New Taiwan Dollars)

	Common stock	Capital reserve	Retained earnings Statutory reserve	Undistributed earnings (Accumulated Deficit)	land revaluation increment	currency translation adjustments	Unrealized gains on financial instruments	Unrecognized pension cost	Total
Balance as of Jan 1, 2007	\$ 3,431,904	1,443,962	277,907	60,167	67,294	10	40,377	(11,026)	5,310,595
Appropriation and distribution of 2007 earnings:									
Statutory reserve	-	-	17,020	(17,020)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	(1,192)	-	-	-	-	(1,192)
Employee profit sharing capitalized	3,971	-	-	(3,971)	-	-	-	-	-
Cash dividends	-	-	-	(34,319)	-	-	-	-	(34,319)
Capital reserve capitalized	120,116	(120,116)	-	-	-	-	-	-	-
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(34,761)	-	(34,761)
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	(69)	-	-	(69)
Unrecognized pension cost	-	-	-	-	-	-	-	729	729
Miscellaneous overpayment by shareholder	-	29	-	-	-	-	-	-	29
Net income for 2007	-	-	-	62,854	-	-	-	-	62,854
Balance as of Dec 31, 2007	3,555,991	1,323,875	294,927	66,519	67,294	(59)	5,616	(10,297)	5,303,866
Appropriation and distribution of 2008 earnings:									
Statutory reserve	-	-	18,856	(18,856)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	(1,320)	-	-	-	-	(1,320)
Employee profit	-	-	-	(4,400)	-	-	-	-	(4,400)
Cash dividends	-	-	-	(35,560)	-	-	-	-	(35,560)
Capital reserve capitalized	124,460	(124,460)	-	-	-	-	-	-	-
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	(385)	-	(385)
Changes in cumulative foreign currency translation adjustments	-	-	-	-	-	636	-	-	636
Unrecognized pension cost	-	-	-	-	-	-	-	10,297	10,297
Miscellaneous overpayment by shareholder	-	42	-	-	-	-	-	-	42
Net loss for 2008	-	-	-	(641,524)	-	-	-	-	(641,524)
Balance as of Dec 31, 2008	<u>\$ 3,680,451</u>	<u>1,199,457</u>	<u>313,783</u>	<u>(635,141)</u>	<u>67,294</u>	<u>577</u>	<u>5,231</u>	<u>-</u>	<u>4,631,652</u>

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**COTA Commercial Bank Co., Ltd.**  
**Statements of Cash Flows**  
**For the Years Ended Dec 31, 2008 and 2007**

(Expressed in thousands of New Taiwan Dollars)

	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ (641,524)	62,854
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	65,634	64,914
Provision for loan losses and other reserves	678,683	610,366
Investment income recognized under equity method	(606)	-
Accrued pension cost	60,710	60,345
Amortization of discount on subordinate financial debentures	981	981
Impairment loss	458,891	1,530
Gain on disposal of properties and idle assets, net	(587)	-
Loss on disposal of foreclosed properties, net	(1,644)	-
Increase in financial assets measured at fair value through profit or loss	(869,898)	(128,915)
Increase (decrease) in financial liabilities measured at fair value through profit or loss	734	(41)
Decrease in receivables	128,586	390,289
Increase in deferred income tax asset	(78,653)	(7,705)
Decrease (increase) in other assets	26,507	(8,468)
Increase (decrease) in payables	119,255	(159,923)
Pension payment	(58,728)	(59,951)
Increase in other liabilities	49,072	139,249
Net cash provided by (used in) operating activities	<u>(62,587)</u>	<u>965,525</u>
Cash flows from investing activities:		
Decrease (increase) in due from Central Bank and call loans to other banks	(11,956,728)	8,480,840
Decrease (increase) in loans	1,325,403	(493,451)
Increase in available-for-sale financial assets	(482,774)	(413,603)
Decrease (increase) in held-to-maturity financial assets	6,769,943	(5,990,430)
Decrease (increase) in bonds and bills purchased under resale agreements	1,138,804	(538,058)
Increase in other financial assets	(30,623)	(401,011)
Increase in long-term investment under equity method	(5,000)	-
Purchase of property and equipment	(10,118)	(12,299)
Proceeds from sale of properties and idle assets	23,136	-
Purchase of computer software	(2,708)	(5,534)
Proceeds from sale of foreclosed properties	21,443	-
Decrease (increase) in other assets	20,115	(21,936)
Net cash provided by (used in) investing activities	<u>(3,189,107)</u>	<u>604,518</u>
Cash flows from financing activities:		
Decrease in due to Central Bank and other banks	(381,460)	(238,881)
Increase (decrease) in deposits and remittances	3,821,580	(2,104,110)
Decrease in other liabilities	(4,297)	(8,533)
Odd lot trading to overpay	42	29
Cash dividends paid	(35,560)	(34,319)
Remuneration to directors and supervisors	(1,320)	(1,192)
Employee profit paid	(4,400)	-
Net cash provided by (used in) financing activities	<u>3,394,585</u>	<u>(2,387,006)</u>
Effect of exchange rate changes	636	(69)
Net increase (decrease) in cash and cash equivalents	143,527	(817,032)
Cash and cash equivalents at beginning of year	1,861,353	2,678,385
Cash and cash equivalents at end of year	<u>\$ 2,004,880</u>	<u>1,861,353</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	<u>\$ 1,870,725</u>	<u>1,688,718</u>
Income tax	<u>\$ 36,446</u>	<u>26,447</u>

The financial statements are the English translation of the Chinese version prepared and used in the Republic of 65 China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### 1. Organization and operations

COTA Commercial Bank Co., Ltd. (the Company) was established in 1915 as a credit cooperative. Effective Jan 1, 1999, the Company changed its status to commercial bank and its name to COTA Commercial Bank Co., Ltd. in accordance with the Company Law and the Banking Law. Pursuant to a stockholders' resolution on September 17, 2005 and as approved by the regulatory authorities, the Company merged Fengyuan Credit Cooperative on Jan 1, 2006. The Company currently has 26 domestic branches and one offshore banking unit.

The Company is engaged in:

- Receiving deposits, extending loans, investing in bills and bonds, processing funds remittance, acceptances and guarantees, issuing letters of credit and providing other agency business (except for issuing foreign letters of credit and providing foreign guarantees);
- Buying and selling foreign currencies and traveler's checks;
- Credit card related services;
- Trust and fiduciary services;
- Foreign exchange service as authorized by the Central Bank;
- Commercial banking business related to international trade.

As of Dec 31, 2008 and 2007, the Company employed 1,141 and 1,167 people, respectively.

### 2. Summary of Significant Accounting Policies


The accompanying financial statements were prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Banks", the "Guidelines Governing the preparation of Financial Reports by Securities Issuers", the "Business Entity Accounting Act," the "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles of the Republic of China. Significant accounting policies are summarized as below:

#### (a) Basis of financial statements

The financial statements include accounts of the headquarters and all branches. All inter-office account balances and transactions have been eliminated while preparing the financial statements.

As required by the Banking Law and the Rules Governing Trust and Investment Companies and for the purpose of internal management, the Company maintains separate accounts and prepares separate sets of financial statements for its own funds and for the funds it administers on behalf of beneficiaries. All the entrusted assets are booked in the memo account.

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## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### **(b) Accounting Estimates**

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **(c) Foreign currency transactions**

The transactions of the Company are recorded in NT dollars. Non-derivative foreign currency transactions of the Company are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Resultant exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments.

The assets and liabilities of offshore banking unit reported in functional currencies are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date, and revenues, costs and expenses are translated at the rate of exchange prevailing on the date of the transaction. Translation differences resulting from the translation of these financial statements into New Taiwan Dollars, net of income taxes, are recorded as foreign currency translation adjustment, a separate component of stockholders' equity.

### **(d) Asset impairment**

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Company reverses an impairment loss recognized in prior periods for assets other than goodwill, if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

### **(e) Financial instruments**

The Company adopted settlement date accounting for financial instrument transactions. Upon initial recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the original recognized amount.

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Notes to Financial Statements

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

Financial instruments which the Company held or issued are classified into the following categories in accordance with the purpose of holding or issuing after the initial recognition:

(i) Financial instruments measured at fair value through profit or loss:

Financial instruments are classified as held for trading if they are acquired or incurred principally for the purpose of selling or being repurchased in the near term. Except for the derivatives that the Company held for hedging purposes and the hedging results are considered effective, the Company's derivatives are classified into this account.

(ii) Available-for-sale financial assets:

The fair value is measured and the resulting gain or loss from such measurement is recognized directly in equity. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. Impairment loss recognized in profit and loss for an investment in equity instrument classified as available-for-sale is not reversed through profit and loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss.

(iii) Held-to-maturity financial assets:

The amortized cost, interest income and interest expense of held-to-maturity financial assets are determined by using the effective interest rate method. If there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

(iv) Financial assets carried at cost:

Equity instruments with no quoted market price and whose fair value that cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost is impaired, the carrying amount of the assets is reduced and impairment loss is recognized. The impairment losses may not be reversed subsequently.

(v) Debts investment without active market:

Debt investments not quoted in an active market are carried at amortized cost using the effective interest method. If there is objective evidence that an impairment loss has been incurred on the balance sheet date, impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the

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**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements**  
**Dec 31, 2008 and 2007**

(Expressed in thousands of TWD, unless otherwise stated)

decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal shall not exceed the amortized balance of the assets assuming no impairment loss was recognized in prior period.

**(f) Deposit in Central Bank**

Deposit in Central Bank includes statutory deposits and certificate deposits. Statutory deposits are made according to relevant reserve regulations prescribed by the government.

**(g) Repurchase and resale agreements**

Investment securities with repurchase or resale agreements are accounted for using the financing method. Interest income or expenses on the trading of these securities are determined based on the difference between the cost and the price stated on repurchase or resale agreements.

**(h) Allowance for loan losses**

According to related regulations issued by the Ministry of Finance, the Company shall classify credit assets on and off balance sheet. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of period overdue. Assets that require special mention shall be classified as "Category 2," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five."

The Company shall evaluate credit assets on and off balance sheet and shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum standard for loan loss provision shall be the sum of 2% of the balance of Category 2 credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

In addition, the loss provision of credit card receivables shall be the sum of 2%, 50% and 100% of the current minimum payment overdue for the periods within three months, six months, and over six months, respectively.

The write-off of non-performing loans and non-accrual loans shall be authorized by a resolution passed by the Board of Directors. The amount provided under the loan loss provision shall be used to offset, and, if such amount is insufficient, the deficiency shall be recognized as a loss in the current year.

In accordance with Business Tax Law, the Company provides 3% of operating revenue as allowance for bad debts with a view to writing off the default accounts starting Jul 1, 1999, and for the following years until the NPL (non-performing loan) ratio is lower than 1%.

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# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### (i) Long - term investment under equity method

Equity investments are accounted for under the equity method when the percentage of ownership, including direct investments by the Company and by its subsidiaries, exceeds 20%, or is less than 20% but the Company and its subsidiaries have significant influence over the investee.

The Company obtains control over an investee when it directly or indirectly owns more than one half of the voting rights of the investee. The aforementioned investees are accounted for using the equity method. Consolidated financial statements included the aforementioned investees are prepared at the end of each Jun and Dec.

### (j) Premises and equipment

Premises and equipment are stated at cost except that certain lands have been revalued in accordance with relevant laws and regulations. Revaluation increment is recorded as an addition to the carrying amount of the land and a corresponding equity item is recorded after the consideration of applicable reserve for taxes. Major additions, improvement, and replacement are capitalized, while maintenance and repairs are charged to current earnings. Interests incurred in acquisition of property before they are ready for the intended use are capitalized as part of the acquisition costs.

Depreciation is provided on the straight-line method using government-announced useful lives that approximate the economic lives of the assets. Premises and equipment still in use after full depreciation may continue to be depreciated over estimated remaining useful lives. Useful lives of major premises and equipment are as follows:

Buildings and premises	11 to 68 years
Operating equipment	3 to 6 years
Transportation equipment	4 to 8 years
Miscellaneous equipment	3 to 18 years

Gain or loss on disposal of premises and equipment is recorded as other non-interest income or expenses.

### (k) Assets under operating lease

Assets leased to other parties under operating lease are stated at cost. Depreciation is provided on the straight-line method and is recognized as other non-interest income or expenses.

### (l) Idle assets

Idle assets are stated at the lower of historical cost or net realizable value. Depreciation is recognized as other non-interest income or expenses.

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**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements**  
**Dec 31, 2008 and 2007**

(Expressed in thousands of TWD, unless otherwise stated)

**(m) Intangible assets**

Goodwill represents the excess of costs over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities of assumed in the acquisition of Fengyuan Credit Cooperative on Jan 1, 2006. Goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment at least annually in accordance with the amended SFAS No.1 "Conceptual Framework of Financial Accounting and Preparation of Financial Statement".

The Company assesses the cash-generating unit of goodwill on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

Effective Jan 1, 2007, the Company adopted Statement of Financial Accounting Standards No. 37 "Accounting for Intangible Assets". The Company had reassessed the useful lives and the amortization method of its recognized intangible assets at the effective date.

**(n) Deferred charges**

Capital expenditures for equipment repair and software expenses are amortized over a period of 2 to 5 years using the straight-line method.

**(o) Foreclosed assets**

Foreclosed assets are stated at the estimated net realizable value and are re-assessed on balance sheet date. The excess of cost over market is recognized as current loss. Under Article 76 of the Banking Law, foreclosed assets should be disposed of within four years.

**(p) Subordinate financial debentures**

The Company issued subordinate financial debentures at discount with a lump-sum payment at maturity, and the interest expenses are computed and recorded at face value multiplied by the stated interest rate on a monthly basis. The discount is amortized over the estimated outstanding period of bonds issuance using the straight-line method and recognized as current interest expense. The related annual fee paid is recognized as an operating expense.

**(q) Employee retirement plans**

The Company has established a non-contributory defined benefit employee retirement plan covering all regular employees. According to the plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. The retirement benefits are lump-sum payments and are based on the years of service and the level of pay at retirement.

The Company contributes, on the monthly basis, an amount equal to 15% of payroll of non-management employees to a pension fund maintained with the Bank of Taiwan (formerly the Central Trust of China) to cover the pension obligation for the employees. On the other hand, the Company contributes, on the monthly basis, an amount equal to 8% of payroll of management level employees to another independent fund to cover pension obligation for such employees.

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Notes to Financial Statements

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

Under the defined benefit plan, the Company follows ROC Statement of Financial Accounting Standards No. 18 (SFAS No. 18), "Accounting for Pensions", in accounting for its employee retirement obligation; therefore, pension costs are actuarially determined and include current service cost and amortization of transition obligation at initial adoption of SFAS No. 18, and, under certain circumstances, of actuarial gains and losses. If the accumulated benefit obligation exceeds the fair value of plan assets at the balance sheet date, a minimum liability is recognized based on the actuarial report as of that date.

Starting Jul 1, 2005, the Company, in accordance with a new labor pension system prescribed by the government, contributes 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance. This new system is a defined contribution plan where the contribution amount is recognized as periodic pension cost. The new plan applies to all employees that elect for the new pension system and all employees hired after Jul 1, 2005.

### (r) Reserve for guarantee liability

Reserve for guarantee liability is provided by evaluating the status of guarantees outstanding and acceptances receivable at year end.

### (s) Revenue recognition

Interest income is recognized under the accrual basis. Accrual of interest is suspended for overdue receivables and is not recognized until collected.

### (t) Income tax

Income tax is calculated based on accounting income. Under the asset and liability approach of ROC SFAS No. 22, the amount of deferred tax liabilities or assets is calculated by applying the provisions of enacted tax law to determine the amount of tax payable or refundable, currently or in future years. The tax effect of taxable temporary differences is recorded as deferred tax liability. The tax effects of deductible temporary differences, operating loss carry-forwards and tax credits are recognized as deferred tax assets. An allowance is provided on deferred tax assets that may not be realized in the future. Deferred income tax assets and liabilities are classified as current or non-current based on the classification of the asset or liability related to the deferred item or, for items not directly related to an asset or liability, the timing of recognition of the deferred item for income tax purposes.


Tax credits generated from personnel training expenditure are recognized in the current period.

According the revised Income Tax Law that became effective Jan 1, 1998, undistributed earnings are subject to an additional 10% corporate income surtax. The surtax payable is recorded as the Company's income tax expense in the year when the earnings are resolved to be retained by the stockholders.

The R.O.C. government enacted the Alternative Minimum Tax Act ("AMT Act") on Jan 1, 2006. The alternative minimum tax imposed under AMT Act is a supplement tax levied at a rate of 10% when the income tax payable determined pursuant to the Income Tax Law is below the minimum amount computed under the AMT Act.

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## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### **(u) Employee bonuses, Directors' and Supervisors' remuneration**

Employee bonuses and directors' emoluments appropriated after Jan 1, 2008 are accounted for by Interpretation (96)052 issued by the Accounting Research and Development Foundation (ARDF). The Company estimates the amount of employee bonuses and directors' emoluments according to the Interpretation and recognizes it as expenses. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

### **(v) Commitments and contingencies**

When losses from commitments and contingencies are deemed probable and the amount can be reasonably estimated, such losses are recorded currently; other commitments and contingencies are disclosed with regard to the nature and the range of possible losses, if any.

### **(w) Earnings per share (EPS)**

Basic Earnings per share (EPS) are computed based on the weighted-average number of common shares outstanding during the period. Retroactively computed EPS for the previous year is also presented if there is capitalization of retained earnings in current year.

Effective from Jan 1, 2008, the Company adopted the Interpretation (97)169 and (96)052 issued by the ARDF. According to the interpretations, employee bonuses issued by stock were deemed as dilutive share equivalent. Before resolved by the shareholders' annual meeting, the effect of diluted share

Equivalent related to employee bonuses is calculated based on the quoted value on the balance sheet date.

Diluted earnings (loss) per share is computed by taking basic earnings (loss) per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued.

## **3. Changes in Accounting Policies**

Starting from Jan 1, 2008, the Company adopted R.O.C. SFAS No. 39 "Share-based Payment" and Interpretation (96)052 issued by the ARDF. The Company classifies, measures, and discloses a share-based payment transaction, employee bonuses, and regular compensation for directors and supervisors in accordance with the aforementioned standards. The change in accounting principle does not have a significant impact on the net income for the year ended Dec 31, 2008. According to Interpretation (97)169 issued by the ARDF, the basic EPS and diluted EPS shall not be retroactively adjusted if capital increases from employee profit-sharing. If employee profit-sharing is distributed in shares with dilutive potential, such shares should be included in the calculation of diluted EPS.

Effective Jan 1, 2007, the Company adopted ROC SFAS No. 37 "Accounting for Intangible Assets". In accordance with SFAS No. 37, the useful lives and amortized methods of intangible assets at the beginning of 2007 were revalued. The Company determined there was no indication of revaluation of the intangible assets. There was no impact on net income for the year ended Dec 31, 2007.

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Notes to Financial Statements

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### 4. Cash and Cash Equivalents

	Dec 31, 2008	Dec 31, 2007
Cash	\$ 972,322	1,023,597
Checks awaiting clearance	196,099	181,039
Deposits in other banks	836,459	656,717
	<u>\$ 2,004,880</u>	<u>1,861,353</u>

### 5. Due from Central Bank and Call Loans to Other Banks

	Dec 31, 2008	Dec 31, 2007
Deposit reserve - checking accounts	\$ 1,331,036	935,805
Deposit reserve - demand accounts	2,566,664	2,497,682
Deposit reserve - foreign currency deposits	2,950	61,395
Certificate of deposits	12,350,000	100,000
Call loans to banks	1,061,159	1,603,309
Deposits with Financial Information Service Co., Ltd.	52,557	209,447
	<u>\$ 17,364,366</u>	<u>5,407,638</u>

According to the statutory reserve requirement, the Company deposits funds with Central Bank. Deposits in checking account are interest-free and can be withdrawn without restriction; interest is accrued on demand account which cannot be withdrawn except for the monthly adjustment on the required level of deposit reserve.

### 6. Financial Assets Measured at Fair Value Through Profit or Loss:

	Dec 31, 2008	Dec 31, 2007
Financial instruments held for trading purpose:		
Quoted stocks	\$ 70,722	117,176
Beneficiary certificates	760,955	345,385
Forward contracts	2,308	2,004
Futures margin deposit	1,252	-
Call options	22	-
	<u>835,259</u>	<u>464,565</u>
Financial assets measured at fair value through profit or loss		
Convertible bonds	639,723	140,519
	<u>\$ 1,474,982</u>	<u>605,084</u>

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## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### 7. Receivables

	Dec 31, 2008	Dec 31, 2007
Credit card accounts receivable	\$ 393,772	547,195
Interest receivable	223,490	238,440
Tax refund receivable	57,697	43,025
Acceptances receivable	35,468	4,059
Foreign currencies receivable-current	-	2,096
Accrued income	4,927	935
Other	13,776	21,966
	<u>729,130</u>	<u>857,716</u>
Less: allowance for loan losses	(5,546)	(13,687)
	<u><b>\$ 723,584</b></u>	<u><b>844,029</b></u>

### 8. Loans

	Dec 31, 2008	Dec 31, 2007
Exchanges and export bills negotiated	\$ 22,509	17,987
Overdrafts	132,285	166,811
Short-term loans	17,778,391	17,256,905
Medium-term loans	34,554,117	33,958,178
Long-term loans	25,163,059	27,685,677
Non-performing loans	1,754,707	2,023,808
	<u>79,405,068</u>	<u>81,109,366</u>
Less: allowance for loan losses	(1,017,000)	(708,703)
	<u><b>\$ 78,388,068</b></u>	<u><b>80,400,663</b></u>

The movements in allowance for loan losses for the years ended Dec 31, 2008 and 2007 were as follows

	Unrecovered risk for particular loans	Unrecovered risk for the overall loan portfolio (excluding particular loans)	Total
<b>2008</b>			
Balance at beginning of year	\$ 723,397	641	724,038
Current provisions	666,545	12,138	678,683
Recoveries of loans previously charged-off	124,883	-	124,883
Loans charged-off	(503,778)	-	(503,778)
Balance at end of year	<u><b>\$ 1,011,047</b></u>	<u><b>12,779</b></u>	<u><b>1,023,826</b></u>

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

	Unrecovered risk for particular loans	Unrecovered risk for the overall loan portfolio (excluding particular loans)	Total
<b>2007</b>			
Balance at beginning of year	\$ 614,340	57,626	671,966
Current provisions	667,351	(56,985)	610,366
Recoveries of loans previously charged-off	106,274	-	106,274
Loans charged-off	(664,568)	-	(664,568)
Balance at end of year	<u>\$ 723,397</u>	<u>641</u>	<u>724,038</u>

Accrual of interest that has been suspended for non-performing loans amounted to \$1,118 and \$1,166 thousands, respectively as of Dec 31, 2008 and 2007. In addition, the Company had not written off any loans without launching a legal action.

### 9. Available-for-Sale Financial Assets

	Dec 31, 2008	Dec 31, 2007
Government bonds	\$ 69,061	71,179
Corporate bonds	1,681,871	1,197,364
	<u>\$ 1,750,932</u>	<u>1,268,543</u>

### 10. Held-to-Maturity Financial Assets

	Dec 31, 2008	Dec 31, 2007
Government bonds	\$ 415,144	417,718
Corporate bonds	25,144	442,513
Negotiable certificates of time deposits	-	6,350,000
	<u>\$ 440,288</u>	<u>7,210,231</u>

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements**  
**Dec 31, 2008 and 2007**

(Expressed in thousands of TWD, unless otherwise stated)

### 11. Long-term Investments under Equity Method

	Original Cost	Percentage of ownership	Investment income recognized under equity method	Book Value as of Dec 31, 2008
COTA Bank Insurance Brokers Co., Ltd.	<u>\$ 5,000</u>	100%	<u>606</u>	<u>5,606</u>

### 12. Other Financial Assets

	Dec 31, 2008	Dec 31, 2007
Overdue receivables	\$ 2,079	2,440
Less: allowance for bad debts	(1,280)	(1,648)
	799	792
Remittances purchased	175	-
Financial assets carried at cost	184,892	184,892
Debts investment without active market	435,649	413,179
	<u>\$ 621,515</u>	<u>598,863</u>

In 2008, the Company recognized an impairment loss of \$8,339 thousands resulted from the decreasing value of debts investment without active market.

#### (a) Financial assets carried at cost:

Such assets represented the following equity investments:

	Dec 31, 2008		Dec 31, 2007	
	Book Value	Ownership %	Book Value	Ownership %
Taiwan Asset Management Corp.	\$ 100,000	0.57	100,000	0.57
Taiwan Financial Asset Service Corp.	50,000	2.94	50,000	2.94
Bank of Panhsin - Preferred Stock	30,000	-	30,000	-
Taiwan Depository & Clearing Corporation	4,639	0.08	4,639	0.08
Sunny Asset Management Corporation	253	-	253	-
	<u>\$ 184,892</u>		<u>184,892</u>	

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### (b) Bond portfolios with no active market

	Dec 31, 2008	Dec 31, 2007
Financial debentures - Panhsin Bank	\$10,000	10,000
Mortgage - Backed Security	268,416	403,179
Auction Rate Security	165,509	-
Less: accumulated impairment	(8,276)	-
	<u>\$435,649</u>	<u>413,179</u>

## 13. Premises and Equipment

### (a) Cost

	Dec 31, 2008	Dec 31, 2007
Land	\$ 684,850	1,607,324
Buildings	568,666	572,009
Operating equipment	189,615	250,148
Transportation equipment	21,273	20,639
Miscellaneous equipment	175,648	179,074
Revaluation increment of land	199,971	212,782
	1,840,023	2,841,976
Less: accumulated depreciation	(501,976)	(530,429)
Prepayments for equipment	5,480	5,363
Allowance for reduction of premises and equipment to market	-	(220,392)
	<u>\$ 1,343,527</u>	<u>2,096,518</u>

### (b) Revaluation of property

The Company revalued all the held, respectively land in 1965 and 1983. The net amount of land value increment after provision for land value increment tax is recorded as an equity item. As of Dec 31, 2008 and 2007, such land revaluation increment was reflected in the financial statements as follows:

	Dec 31, 2008	Dec 31, 2007
Land revaluation increment	\$ 126,495	130,692
Less: provision for land revaluation increment tax	(59,201)	(63,398)
	<u>\$ 67,294</u>	<u>67,294</u>

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**(c) Other**

No property or equipment was pledged as a security or a lien.

**14. Intangible Assets**

	Dec 31, 2008	Dec 31, 2007
Goodwill	\$ 154,027	154,027
Computer software	15,545	16,379
	<b>\$ 169,572</b>	<b>170,406</b>

Goodwill represents the excess of costs over the net fair value of acquired tangible assets, identifiable intangible assets and liabilities of assumed in the acquisition of Fengyuan Credit Cooperative on Jan 1,

2006. Goodwill acquired in a purchase business combination is not amortized amounting to \$154,027 thousands as of Dec 31, 2008 and 2007.

Intangible assets consisted of computer software. The movements during 2008 and 2007 were as follows:

Original cost

	2008	2007
Beginning balance	\$ 28,790	23,256
Additions	2,708	5,534
Ending balance	<b>\$ 31,498</b>	<b>28,790</b>

Accumulated amortization

	2008	2007
Beginning balance	\$ 12,411	9,255
Amortization	3,542	3,156
Ending balance	<b>\$ 15,953</b>	<b>12,411</b>

The amortization expenses of \$3,542 and \$3,156 thousands in 2008 and 2007 were recorded as operating expense, respectively.

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

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### 15. Other Assets

	Dec 31, 2008	Dec 31, 2007
Office supplies	\$ 2,430	2,965
Prepaid expenses	102,243	128,215
Idle assets, net of depreciation	300,657	55,302
Assets under lease, net of depreciation and impairment	83,272	84,803
Refundable deposits	49,326	70,936
Foreclosed assets, net of impairment	-	19,799
Deferred pension cost	60,303	146,394
Deferred charges	41,633	56,271
Others	837	612
	<u>\$ 640,701</u>	<u>565,297</u>

In 2008, the Company recognized an impairment loss of \$450,552 thousands from idle assets.

### 16. Due to Central Bank and Other Banks

	Dec 31, 2008	Dec 31, 2007
Bank deposits	\$ 42,560	86,187
Call loans from banks	-	337,833
	<u>\$ 42,560</u>	<u>424,020</u>

### 17. Financial Liabilities Measured at Fair Value Through Profit or Loss

	Dec 31, 2008	Dec 31, 2007
Forward contracts	\$ 734	132
Put option	270	138
	<u>\$ 1,004</u>	<u>270</u>

### 18. Payables

	Dec 31, 2008	Dec 31, 2007
Interest payable	\$ 247,809	238,384
Tax payable	17,135	18,160
Collections payable	64,873	50,365
Accrued expenses	110,315	63,367
Dividends payable	1,200	1,324
Foreign currencies payable - current	296	-
Acceptance drafts	38,368	10,727
Checks awaiting clearance	196,099	181,039
Others	67,768	59,400
	<u>\$ 743,863</u>	<u>622,766</u>



## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### 19. Deposits and Remittances

	Dec 31, 2008	Dec 31, 2007
Checking accounts	\$ 1,255,791	1,386,403
Cashiers' checks	89,427	93,084
Check guaranteed for payment	135	135
Demand deposits	8,721,811	8,310,701
Time deposits	14,715,577	14,436,048
Postal deposits accepted	165,625	171,965
Demand savings deposits	20,766,496	21,658,051
Term savings deposits	51,733,161	47,570,157
Remittances	2,741	5,899
	<u>\$ 97,477,764</u>	<u>93,632,443</u>

The interest rates of the above deposits ranged from 0.11% to 3.16% and from 0.15% to 2.6% in 2008 and in 2007, respectively.

### 20. Subordinate Financial Debentures

In order to increase the capital adequacy and raise medium-term and long-term operating funds, the board of directors of the Company resolved to issue subordinate financial debentures in a total amount of \$2,500,000 thousands on August 12, 2005, which was approved by the regulation authorities on September 9, 2005. The Company issued these debentures on Mar 28, 2006, and the subscription was completed during the year. The details were as follows:

Bond	Issue conditions	Dec 31, 2008	Dec 31, 2007
95-1 A	10-year term, interest payable annually, annual interest rate for the first 5 years is 3.3%, and 5% for the last 5 years, maturity date: Mar 28, 2016	\$ 968,000	968,000
95-1 B	10-year term, interest payable annually, base on the Company's term savings deposits regular rate plus 0.12% for the first 5 years, and plus 0.25% for the last 5 years, maturity date: Mar 28, 2016	1,532,000	1,532,000
Less: unamortized discount		(2,208)	(3,189)
		<u>\$ 2,497,792</u>	<u>2,496,811</u>

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

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### 21. Pension

The Company performed an actuarial assessment of its employee pension liability on Dec 31, 2008 and 2007, according to the original system of a defined benefit plan. The reconciliation between the funded status of the plan and accrued pension liability is as follows:

	Dec 31, 2008	Dec 31, 2007
Benefit obligation:		
Vested benefit obligation	\$ (413,409)	(410,328)
Non-vested benefit obligation	(93,509)	(157,831)
Accumulated benefit obligation	(506,918)	(568,159)
Additional benefits based on future level of salaries	(187,568)	(164,608)
Projected benefit obligation	(694,486)	(732,767)
Fair value of plan assets	437,690	404,526
Funded status	(256,796)	(328,241)
Unrecognized loss	111,237	174,905
Unrecognized net transition obligation	136,635	146,394
Additional minimum liability	(60,303)	(156,691)
Accrued pension liabilities	<u>\$ (69,227)</u>	<u>(163,633)</u>

The components of net periodic pension cost for 2008 and 2007 are as follows:

	2008	2007
Service cost	\$ 37,909	37,872
Interest cost	19,900	18,543
Expected return on plan assets	(14,606)	(10,258)
Amortization and deferral	17,507	14,188
Net pension cost	<u>\$ 60,710</u>	<u>60,345</u>

Actuarial assumptions for 2008 and 2007 were as follows:

	2008	2007
Discount rate	2.75%	2.75%
Rate of increase in future compensation	2.00%	2.00%
Expected long-term rate of return on plan assets	2.75%	2.75%

In addition, pension expense under the new labor pension system as a defined contribution plan of the Company amounted to \$17,668 and \$18,925 thousands for the years ended Dec 31, 2008 and 2007, respectively.

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## 22. Stockholders' Equity

### (a) Common stock

As of Dec 31, 2008 and 2007, the Company's authorized capital both was \$6,000,000 thousands, with par value of \$10. Total outstanding shares were 368,045 and 355,599 thousands, respectively.

It was resolved in the stockholders' meetings on Jun 19, 2008 to increase capital through a capitalization of capital reserve amounting to \$124,460 thousands. The increases had been approved by the government authority.

It was resolved in the stockholders' meetings on Jun 6, 2007 to increase capital through a capitalization of capital reserve and retained earnings amounting to \$120,117 and \$3,971 thousands, respectively. The increases had been approved by the government authority.

### (b) Capital reserve

Capital reserve as of Dec 31, 2008 and 2007 was as follows:

	Dec 31, 2008	Dec 31, 2007
Statutory reserve and special reserve transferred in	\$ 1,061,892	1,061,892
Additional paid-in capital	136,043	260,503
Other	1,522	1,480
	<u>\$ 1,199,457</u>	<u>1,323,875</u>

In accordance with the ROC Company Law, capital reserve is exclusively used for offsetting prior losses and conversion to capital, and cannot be distributed as cash dividends. According to the ROC Company Law and relevant securities exchange regulations, a capital increase using capital reserve has to be reserves arisen from issuing stock or donated assets received and cannot exceed 10% of a company's paid-in capital in any year. Capital reserve arisen from long-term equity investments cannot be used to offset prior losses or converted to capital.

### (c) Statutory reserve and earnings distribution

The Company's articles of incorporation stipulate that net income should be distributed in sequence order as follows:

- to pay income tax;
- to offset prior years' deficit, if any;
- to appropriate 30% as statutory reserve;
- to appropriate stockholders' regular dividends that do not exceed 10% of earnings;

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

- to appropriate directors' and supervisor' remuneration do not exceed 3% of earnings;
- to appropriate 10% as employee profit sharing;
- to pay stockholders bonuses.

The remaining balance is retained or appropriated based on change of the resolution by the Company's stockholders.

According to the Banking Law, cash dividends are limited to 15% of total capital until the balance of statutory reserve reaches the amount of capital.

For the year ended Dec 31, 2008, no employees' profit sharing or directors' and supervisors' remuneration were provided because of the accumulated deficit status of the Company. Therefore there is no effect in net income or earning per share resulted from the change of accounting policy.

The distributions of earnings for 2007 and 2006 were resolved in the stockholders' meeting held on Jun 19, 2008 and Jun 6, 2007, respectively. The details were as follows:

	2007	2006
Dividend per share (in NT dollar)	<u>\$ 0.10</u>	<u>0.10</u>
Employees' profit sharing - stock	\$ -	3,971
Employees' profit sharing - cash	4,400	-
Directors' and supervisors' remuneration	<u>1,320</u>	<u>1,192</u>
	<u>\$ 5,720</u>	<u>5,163</u>

The proposal for the distribution of 2008 earnings has yet to be presented to the stockholders' meeting. The information regarding earnings distribution will be posted on the market observation posting system after the meeting.

## 23. Income Tax

The Company is subject to an income tax rate of 25% and the Alternative Minimum Tax Act. The components of income tax expense for 2008 and 2007 were summarized as follows:

	2008	2007
Current	\$ 25,385	21,059
Deferred	<u>(78,653)</u>	<u>(7,705)</u>
	<u>\$ (53,268)</u>	<u>13,354</u>

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The differences between “expected” income tax expense calculated at the statutory income tax rate and the income tax expense in the accompanying financial statements were reconciled as follows:

	<b>2008</b>	<b>2007</b>
Expected income tax expense (benefit)	\$ (173,698)	19,052
10% surtax on undistributed earnings	136	12
Impairment loss	110,582	-
Investment tax credits	(1,129)	(1,157)
Tax effect of tax-exempt gains from sale of marketable securities and land	15,834	(15,463)
Tax on interest income separately taxed	(6,081)	(5,288)
Under accrual of prior year’s income tax	739	464
Adjustment to prior year’s deferred tax assets	2,072	7,295
Allowance for deferred tax assets	-	5,500
Other adjustments	(1,723)	2,939
Income tax expense (benefit)	<u>\$ (53,268)</u>	<u>13,354</u>

Deferred income tax expense (benefit) for 2008 and 2007 were the tax consequences of the following temporary differences and credits:

	<b>2008</b>	<b>2007</b>
Unrealized gains on exchange	\$ 3,340	289
Loss carry-forwards	(24,578)	(82,811)
Amortization of goodwill	3,851	3,851
Unrealized loss on assets impairment	(4,140)	-
Reversal of allowance for deferred tax assets	-	5,500
Reversal of allowance for bad debts in excess of tax limited	(55,883)	67,052
Other	(1,243)	(1,586)
	<u>\$ (78,653)</u>	<u>(7,705)</u>

Deferred income tax assets and liabilities as of Dec 31, 2008 and 2007, represented the tax effects of the following temporary differences and credits:

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

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	Dec 31, 2008	Dec 31, 2007
Amortization of goodwill	\$(11,552)	(7,701)
Allowance for loan losses	55,883	-
Unrealized loss on idle assets	2,056	-
Unrealized loss on financial assets	2,084	-
Pension cost in excess of limit	496	-
Unrealized loss on foreclosed properties	28,310	28,692
Loss carry-forwards	116,162	91,584
Investment tax credits	3,881	2,752
Unrealized exchange loss(gain)	(2,294)	1,046
Valuation allowance	(16,000)	(16,000)
Deferred income tax assets, net	<u>\$179,026</u>	<u>100,373</u>

In accordance with ROC Income Tax Law, assessed net losses can be carried forward for ten years. As of Dec 31, 2008, the unused loss carry-forwards available to offset future taxable income and the expiry dates were as follows:

Year of loss	Amount	Last year in which loss can be used
2006	\$ 273,931	2016
2007	99,554	2017
2008	91,164	2018
	<u>\$ 464,649</u>	

The ROC tax authorities had examined and assessed the Company's income tax returns for all years through 2005.

### Imputation credit account (ICA) and creditable ratio

Beginning in 1998, the imputed income tax system was implemented by the ROC government. Under the system, the income tax paid at the corporate level can be used to offset the ROC resident stockholders' individual income tax. The Company is required to establish an Imputation Credit Account (ICA) to maintain a record of the corporate income tax paid and imputation credit it has allocated to each stockholder. The credit available to ROC resident stockholders is calculated by multiplying the dividends by the creditable ratio. The creditable ratio is calculated by dividing the balance of ICA by earnings retained since Jan 1, 1998.

### Undistributed retained earnings:

	Dec 31, 2008	Dec 31, 2007
Undistributed retained earning - 1998 and after	<u>\$ (635,141)</u>	<u>66,519</u>
Imputation credit account (ICA)	<u>\$ 4,752</u>	<u>9,461</u>
	<b>2008</b>	<b>2007</b>
The creditable ratio on retained earnings	<b>Note</b>	<b>30.33%(Actual)</b>

Note: For the year ended Dec 31, 2008, the Company has no distributable earnings.

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**24. Earnings per Share**

	2008		2007	
	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share:				
Net Income (loss)	\$ (694,981)	(641,524)	76,208	62,854
Weighted-average outstanding shares	368,045	368,045	355,599	355,599
Basic earnings per share (in dollar)	\$ (1.89)	(1.74)	0.21	0.18
Earnings per share retroactively adjusted:				
Net income			76,208	62,854
Weighted-average outstanding shares			368,045	368,045
Basic earnings per share (in dollar)			0.21	0.17

**25. Disclosure of Financial Instruments**

**(a) Fair value of financial instruments:**

	Dec 31, 2008		Dec 31, 2007	
	Book value	Fair value	Book value	Fair value
Financial instruments				
Assets:				
Fair value represented by book value	\$ 99,327,329	99,327,329	90,520,528	90,520,528
Financial assets measured at fair value through profit or loss	1,474,982	1,474,982	605,084	605,084
Available-for-sale financial assets	1,750,932	1,750,932	1,268,543	1,268,543
Held-to-maturity financial assets	440,288	440,288	7,210,231	7,210,231
Other financial assets	621,515	621,515	598,863	598,863
Liabilities:				
Fair value represented by book value	98,238,604	98,238,604	94,679,229	94,679,229
Financial liabilities measured at fair value through profit or loss	1,004	1,004	270	270
Subordinate financial debentures	2,497,792	2,497,792	2,496,811	2,496,811

**(b) Assumptions used to estimate the fair market value of financial instruments are categorized as follows:**

(i) Fair value of short-term financial instruments was estimated in accordance with the carrying amount. Since the expiration date of the short-term financial instrument was relatively short, its carrying value is adopted as a reasonable basis in estimating the fair value. The method was applied to cash and cash equivalents, due from the Central Bank and call loans to banks, bonds and bills purchased under resale agreements, bonds and bills sold under repurchase agreements, receivables, payables, deposits from the Central Bank and other banks, and other liquid financial assets.

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

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- (ii) Fair value of financial assets measured at fair value through profit or loss and available-for-sale financial assets is determined by transaction price quoted in an active market, when available; if otherwise, valuation techniques are applied. The estimates and assumptions applied in valuation techniques are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.
- (iii) Deposits and loans are classified as interest-bearing financial assets or liabilities. Most of these financial assets and liabilities have floating interest rate, their book value are equivalent to the fair value.
- (iv) Financial assets carried at cost under the classification of other financial assets are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Because debt investments without active market have no quoted market price, its fair value is represented by its carrying value.
- (v) The subordinate debenture was financial liability with floating interest rate, their fair value equal to their carrying value.
- (vi) The Company computed the fair value of each individual forward foreign currency contracts by using the expected exchange rate at the future maturity date, and whose rate was generated from Reuters (Associated Press), a quoted pricing system.
- (c) The fair value of financial assets and liabilities evaluated under the quoted market price or other valuation techniques by the Company were as follows:**

	Dec 31, 2008		Dec 31, 2007	
	Based on quoted market prices	Determined value by using valuation techniques	Based on quoted market prices	Determined value by using valuation techniques
Financial instruments				
Assets:				
Financial assets measured at fair value through profit or loss	\$ 831,677	643,305	462,561	142,523
Available-for-sale financial assets	1,750,932	-	1,268,543	-
Held-to-maturity financial assets	-	440,288	-	7,210,231
Other financial assets	-	621,515	-	598,863
Liabilities:				
Financial liabilities measured at fair value through profit or loss	-	1,004	-	270
Subordinate financial debentures		2,497,792	-	2,496,811

For the year ended Dec 31, 2008 and 2007, gain arising from the fair value evaluation of financial instruments by using valuation techniques amounted to \$3,373 thousands and \$960 thousands, respectively.



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**(d) Financial risk information:**

(i) Market risk

The market risk refers to the fluctuation in market indicators, e.g., fluctuation in interest rate, exchange rate, stock market index, and commodity price. The Company manages market risk through its risk management system and believes that the system is effective.

The Company held government bonds of fix rate that fair value changes with market rate.

The Company's foreign currency position mainly was in United States dollars. When the New Taiwan dollar appreciates one tenth of an NT dollar, the Company would incur a loss of TWD2,187 thousands because of its foreign currency position on Dec 31, 2008.

(ii) Credit risk

The financial instruments acquired or issued by the Company are subject to risk of financial loss resulting from the failure of a customer or counterparty to settle their contractual obligations as and when they fall due. The implementation and execution of credit risk management is assigned and supervised by credit operating units in order to evaluate and control the potential credit risk from various transactions

Strict credit assessment is conducted when the Company issues loan commitments, financial guarantees and letter of credits. The Company's practice is to require appropriate collaterals as necessary before granting of loans depending on the credit assessment. As of Dec 31, 2008, the ratio of secured loans to total outstanding loans granted is approximately 55.47%. Most of the collaterals provided for loans, financial guarantees and letter of credits are real estate properties, cash, marketable securities or other properties. In the event of customer defaults, the Company can forcibly execute its rights on the collaterals or rights on other guarantees to protect its creditor's right which in return, helps to minimize the Company's credit risk.

Concentration of credit risk exists when the counterparties to financial instrument transactions are individuals or groups engaged in similar activities with similar economic characteristics, which would cause their ability to meet contractual obligations to be simultaneously affected by changes in economic or other conditions. The Company implements the maximum credit limit for a customer or counterparty in various industries, enterprises and territories to avoid inappropriate concentration of risk.

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

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■ Concentration of credit extensions:

Dec 31, 2008			
Rank	Group Company	Outstanding loan	% of net assets
1	Ruentex Group	\$ 298,044	6.43
2	Ta Chen International Inc.	60,000	1.30
3	First International Computer, Inc.	38,783	0.84

Dec 31, 2007			
Rank	Group Company	Outstanding loan	% of net assets
1	Ruentex Group	\$ 284,054	5.36
2	First International Computer, Inc.	47,192	0.89
3	Hotai Group	20,361	0.38

	Dec 31, 2008		Dec 31, 2007	
Credit extensions to interested parties	\$ 941,400		915,200	
Ratio of credit extensions to interested parties	1.17%		1.11%	
Ratio of credit extensions secured by pledges of stock shares	0.13%		0.14%	
Industry concentration(the biggest tree industries of lending)	Industry	Ratio	Industry	Ratio
	Manufacturing	8.19%	Transportation and warehousing	6.52%
	Transportation and warehousing	6.89%	Manufacturing	6.40%
	Wholesale and retail	3.08%	Wholesale and retail	3.21%

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- The Company's contracted amounts of financial instruments with off-balance-sheet credit risks were as follows:

	Dec 31, 2008	Dec 31, 2007
Unused lines of credit	\$ 8,719,912	6,077,375
Credit commitment on credit cards	\$ 1,458,797	3,357,531
Guarantee on loans and unused L/C balance	\$ 1,395,337	1,616,450

### (iii) Liquidity risk

Liquidity risk includes market liquidity risk and fund liquidity risk. Because there is an active market for the Company's holding of stock, beneficiary certificates, government bonds and corporate bonds which can be sold at fair value readily, the Company is able to manage liquidity risk effectively.

The basic principle in managing liquidity risk is to match the time-to-maturity for assets and liabilities and to monitor the duration gap. The liquidity reserve ratio for the Company were 15.85% and 11.19% as of Dec 31, 2008 and 2007, and the operating capital of the Company is sufficient to meet cash needs for all contractual obligations. The management therefore expects that there is no liquidity risk concerning inability to raise capital to meet existing contractual obligations.



# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

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As of Dec 31, 2008, analysis for time-to-maturity of the Company's assets and liabilities was as follows:  
(classified into NT dollar and US dollar assets/liabilities)

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of NT dollars)						
Capital inflow	105,693,781	12,394,471	13,733,010	11,289,774	13,911,846	54,364,680
Capital outflow	115,680,843	10,477,996	13,710,305	18,006,177	39,409,072	34,077,293
Maturity gap	(9,987,062)	1,916,475	22,705	(6,716,403)	(25,497,226)	20,287,387

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	64,311	43,003	9,294	3,824	-	8,190
Capital outflow	64,311	56,912	4,220	1,474	1,477	228
Maturity gap	-	(13,909)	5,074	2,350	(1,477)	7,962

As of Dec 31, 2007, analysis for time-to-maturity of the Company's assets and liabilities was as follows:  
(classified into NT dollar and US dollar assets/liabilities)

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of NT dollars)						
Capital inflow	\$ 102,047,357	14,324,146	6,752,475	6,614,498	10,905,552	63,450,686
Capital outflow	106,662,474	11,539,279	12,287,434	15,570,417	35,663,335	31,602,009
Maturity gap	(4,615,117)	2,784,867	(5,534,959)	(8,955,919)	(24,757,783)	31,848,677

	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
(in thousands of US dollars)						
Capital inflow	\$ 80,024	38,521	24,704	4,387	-	12,412
Capital outflow	80,024	62,617	8,230	7,281	1,734	162
Maturity gap	-	(24,096)	16,474	(2,894)	(1,734)	12,250

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(Expressed in thousands of TWD, unless otherwise stated)

(iv) Cash flow risk from interest rate fluctuation

As of Dec 31, 2008, the Company's analysis of interest-sensitive assets and liabilities were as follows:

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of NT dollars)					
Interest-sensitive assets	68,896,910	8,147,565	3,886,360	16,071,154	97,001,989
Interest-sensitive liabilities	18,957,554	42,805,217	30,974,984	4,718,542	97,456,297
Gap	49,939,356	(34,657,652)	(27,088,624)	11,352,612	(454,308)
Stockholders' equity					4,631,652
Ratio of interest-sensitive assets to liabilities					99.53
Ratio of gap to stockholders' equity					(9.81)

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of US dollars)					
Interest-sensitive asset	25,930	3,801	-	8,190	37,921
Interest-sensitive liability	12,439	1,433	1,500	-	15,372
Gap	13,491	2,368	(1,500)	8,190	22,549
Stockholders' equity					141,321
Ratio of interest-sensitive assets to liabilities					246.69
Ratio of gap to stockholders' equity					15.96

As of Dec 31, 2007, the Company's analysis of interest-sensitive assets and liabilities were as follows:

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of NT dollars)					
Interest-sensitive assets	\$ 63,749,461	5,463,641	4,733,584	18,888,379	92,835,065
Interest-sensitive liabilities	18,541,534	42,077,471	28,412,811	4,165,845	93,197,661
Gap	45,207,927	(36,613,830)	(23,679,227)	14,722,534	(362,596)
Stockholders' equity					5,303,866
Ratio of interest-sensitive assets to liabilities					99.61%
Ratio of gap to stockholders' equity					(6.84%)

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
(in thousands of US dollars)					
Interest-sensitive asset	\$ 46,095	4,385	-	12,412	62,892
Interest-sensitive liability	29,966	7,215	1,715	-	38,896
Gap	16,129	(2,830)	(1,715)	12,412	23,996
Stockholders' equity					163,276
Ratio of interest-sensitive assets to liabilities					161.69%
Ratio of gap to stockholders' equity					14.70%

### (v) Risk management and hedge strategies

The risk management structure of the Company takes the Board of Directors as the decision making body and the effective operation of the Company's risk management policies as the ultimate objective to optimize its earnings and return for stockholders.

Strategies and policies are continuously monitored and reviewed to ensure that all major risks in various aspects of the Company's operation are effectively managed.

## 26. Related-party Transactions

### (a) Related parties and relationship with the Company

Parties	Relationship
Management (each individual deposit and loans not exceeding 1% of total deposits and loans)	Including directors, supervisors, managers and their spouses and immediate family members
COTA Bank Insurance Brokers Co., Ltd.	Investee company under the equity method
The Bank's directors, supervisors, general manager and vice general manager	The Bank's main management echelon

### (b) Significant transactions with related parties

#### (i) Loans

As of Dec 31, 2008 and 2007, loans to related parties amounted to approximately \$112,596 and \$98,761 thousands, respectively, representing 0.14% and 0.12% of total loans at each date. Interest resulting from such loans was \$2,913 and \$2,519 thousands, respectively, representing 0.08% of total interest income for 2008 and 2007. The range of interest rates was approximately 1.88%~3.85% and 2.45%~4% p.a., respectively.

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### (ii) Deposits

As of Dec 31, 2008 and 2007, deposits from related parties were approximately \$311,687 and \$283,440 thousands, respectively, representing 0.32% and 0.30% of total deposits at each date. Interest resulting from such deposits was \$6,179 and \$3,509 thousands, respectively, representing 0.33% and 0.20% of total interest expense for 2008 and 2007. The range of interest rate was approximately 0.11%~3.16% and 0.17%~2.43%, respectively. The range of interest rate for employee demand savings deposits was approximately 10.49%~10.75% and 10.16%~10.49% p.a., respectively.

### (iii) Service fees income

	<b>2008</b>	<b>Dec 31, 2008</b>
	Service fees income	Accrued income
COTA Bank Insurance Brokers Co., Ltd.	<b>\$ 10,506</b>	<b>4,030</b>

The above-mentioned income was mainly from commission resulting from sale of insurance.

### (c) Compensation of directors, supervisors and management personnel

	<b>2008</b>	<b>2007</b>
Salaries	\$ 6,758	7,802
Incentives	3,320	2,843
Profession compensation	14,749	14,280
Bonus	-	52
	<b>\$ 24,827</b>	<b>24,977</b>

## 27. Pledged Assets

	<b>Dec 31, 2008</b>	<b>Dec 31, 2007</b>
Pledged for:		
Guarantee deposits for provisional actions against defaulted loans and deposit for trust business (recorded as available-for-sale financial assets and Held-to-maturity financial assets)	<b>\$ 70,600</b>	<b>81,200</b>

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### 28. Significant Commitment and Contingencies

(a) As of Dec 31, 2008 and 2007, the Company's significant commitments and contingent liabilities were as follows:

	Dec 31, 2008	Dec 31, 2007
Collections received	\$ 10,630,998	10,223,907
Guarantees	1,395,338	1,616,450
Bonds and bills purchased under resale agreements	797,105	1,935,909
Travelers' checks held on consignment	38,712	49,552

(b) In accordance with Article 17 of the Trust Enterprise Law, balance sheet and trust property under the Company's trust accounts are disclosed as follows:

#### Balance Sheet Dec 31, 2008 and 2007

	Dec 31, 2008	Dec 31, 2007
Trust Assets		
Deposit in bank	\$ 763	94,083
Investment in mutual fund	2,655,663	3,617,629
Investment in real estate	27,771	20,325
Total trust assets	<u>\$ 2,684,197</u>	<u>3,732,037</u>
Trust Liabilities		
Trust capital		
Money	2,656,426	3,711,712
Real estate	27,771	20,325
Total trust liabilities	<u>2,684,197</u>	<u>3,732,037</u>



**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements**  
**Dec 31, 2008 and 2007**

(Expressed in thousands of TWD, unless otherwise stated)

Statement of Income  
 Dec 31, 2008 and 2007

	Dec 31, 2008	Dec 31, 2007
Trust Income		
Interest income	\$ 116	9
Cash dividends income	32,832	29,400
Beneficiary stock dividends income	6,327	-
	<u>39,275</u>	<u>29,409</u>
Trust Expense		
Service fees	14,588	-
Management fees	3,970	-
	<u>18,558</u>	<u>-</u>
Income before income taxes	20,717	29,409
Income tax expense	(33)	(19)
Net income	<u>\$ 20,684</u>	<u>29,390</u>

**(c) Operating leases**

The Company has entered into various operating lease agreements for domestic banking premises.

As of Dec 31, 2008 the estimated rental commitments for the next five years are as follows:

Fiscal Year	Amount
2009	\$ 33,474
2010	26,000
2011	25,622
2012	16,177
2013	6,282
	<u>\$ 107,555</u>

**29. Significant Disaster Loss: None**

**30. Significant Subsequent Events: None**

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

### 31. Segment Information

**(a) Operations in different industries.**

The Company operates principally as a commercial bank.

**(b) Operations in different geographic areas.**

The offshore business unit of the Company does not reach the 10% total asset or revenue corridor to disclose related segment information.

**(c) Export sale: Not applicable.**

**(d) Major customers: Not applicable.**

### 32. Other Matters

**(a) Personnel expenses, depreciation, and amortization for the years ended Dec 31, 2008 and 2007, were summarized as follows:**

Function	2008			2007		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel Expenses:						
Salaries	-	848,474	848,474	-	\$ 717,756	717,756
Labor and health insurance	-	51,569	51,569	-	49,732	49,732
Pension	-	78,378	78,378	-	79,270	79,270
Other personnel expenses	-	12,238	12,238	-	11,356	11,356
Depreciation expenses	-	43,494	43,494	-	42,317	42,317
Amortization expenses	-	22,140	22,140	-	22,597	22,597

**COTA Commercial Bank Co., Ltd.**  
**Notes to Financial Statements**  
**Dec 31, 2008 and 2007**

(Expressed in thousands of TWD, unless otherwise stated)

**(b) Capital Adequacy ratio:**

Item		Period	Dec 31, 2008	Dec 31, 2007	
Capital	Tier I Capital		4,302,853	4,979,483	
	Tier II Capital		2,132,753	2,463,400	
	Tier III Capital		-	-	
	Total		6,435,606	7,442,883	
Risk-weighted assets	Credit risk	Standardized approach	54,553,316	58,639,906	
		Internal-rating-based approach	-	-	
		Secularizations	-	-	
	Operational risk	Basic indicator approach	3,346,650	3,563,313	
		Standardized approach / alternative approach	-	-	
		Advanced measurement approach	-	-	
	Market risk	Standardized approach	2,891,763	2,257,538	
		Internal model approach	-	-	
	Total risk-weighted assets			60,791,729	64,460,757
	Capital adequacy ratio			10.59%	11.55%
Tier I capital / risk-weighted assets			7.08%	7.72%	
Tier II capital / risk-weighted assets			3.51%	3.82%	
Tier III capital / risk-weighted assets			-%	-%	
Common stock / total assets			3.48%	3.45%	



# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

(c) Average values and average interest rates of the Company's interest-bearing assets and liabilities were as follows:

	2008		2007	
	Average value	Average interest rate (%)	Average value	Average interest rate (%)
<b>Assets</b>				
Deposits in other banks	\$ 592,384	4.03	649,874	2.13
Call loans to other banks	1,141,972	3.33	1,693,095	5.09
Due from Central Bank	6,692,433	1.93	5,085,493	1.61
Bonds and bills purchased under resale agreements	2,010,443	1.97	1,420,397	1.83
Available-for-sale financial assets	1,417,234	2.65	876,689	2.32
Held-to-maturity financial assets	5,030,648	0.36	5,799,635	0.45
Loans	77,302,602	3.89	78,098,819	3.60
<b>Liabilities</b>				
Banks deposits	63,508	-	177,253	-
Call loans from banks	235,425	2.62	305,084	5.13
Subordinate financial debentures	2,500,000	3.64	2,500,000	3.45
Demand deposits	7,236,706	0.14	7,124,051	0.18
Demand savings deposits	19,988,156	0.58	20,964,048	0.59
Time deposits	64,601,109	2.48	63,085,106	2.21
Staff savings deposits	576,240	8.50	588,151	7.61

(d) Primary foreign currency assets

	Dec 31, 2008		Dec 31, 2007	
	Original currency	Equivalent TWD amount	Original currency	Equivalent TWD amount
USD	\$	716,794	USD	852,356
AUD		4,993	EUR	17,564
CNY		3,899	NZD	7,623
CAD		3,150	AUD	7,567
GBP		2,697	HKD	4,393

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

**(e) As of Dec 31, 2008 and 2007, details of loans or guarantees that involved related parties were as follows:**

Classification	Accounts	Dec 31, 2008	
		Amount	Potential loss
Consumer loan borrowers	90	\$ 37,813	None
Employee mortgage loan borrowers	115	263,554	108
Other loan borrowers	124	640,033	None
Related parties as guarantors for loans	68	211,008	None
Related parties as providers of collateral	37	133,863	None

Classification	Accounts	Dec 31, 2007	
		Amount	Potential loss
Consumer loan borrowers	68	\$ 27,563	None
Employee mortgage loan borrowers	106	227,293	111
Other loan borrowers	132	660,344	None
Related parties as guarantors for loans	73	209,082	None
Related parties as providers of collateral	36	108,333	None

**(f) Asset quality**

Period		2008				
Product	Item	Overdue loan amount	Loan Balance	Overdue rate	Allowance for loans losses	Covering rate
	Unsecured	220,658	14,583,751	1.51%	182,431	82.67%
Consumer Banking	Mortgage	298,769	16,570,947	1.80%	29,375	9.83%
	Cash card	-	9,133	-	20	-
	Credit loan	254,363	15,915,241	1.60%	151,270	59.46%
	Other	Secured	698,638	20,218,751	3.46%	162,584
Unsecured		554,181	4,260,321	13.01%	424,171	76.53%
Total		2,124,337	79,405,068	2.68%	1,017,000	47.87%
		Overdue	Account receivables	Overdue rate	Allowance for bad debts	Covering rate
Credit card		2,213	393,968	0.56%	6,709	303.16%
Without recourse factoring		-	-	-	-	-

# Notes to Financial Statements

## COTA Commercial Bank Co., Ltd. Notes to Financial Statements Dec 31, 2008 and 2007

(Expressed in thousands of TWD, unless otherwise stated)

(g) Concentration of credit extension: please refer to note 25-(d) (ii).

(h) Information of interest sensitivity: please refer to note 25-(d) (iv).

### (i) Profitability

	Dec 31, 2008	Dec 31, 2007
The ratio of return before income tax on assets	(0.67)%	0.07%
The ratio of return on assets, net of tax	(0.61)%	0.06%
The ratio of return before income tax on shareholders' equity	(13.99)%	1.44%
The ratio of return on shareholders' equity, net of tax	(12.91)%	1.18%
Net income ratio	(44.87)%	3.10%

(j) The maturity analysis of assets and liabilities: please refer to note 25-(d) (iii).

### (k) Reclassification:

Certain accounts in the end of 2007 financial statements have been reclassified to conform to the presentations adopted in 2008. These reclassifications did not have significant influence on the 2007 financial statements.





2008



# Financial Status Analysis, Operation Performance Analysis, and Risk Management

# 7. Financial Status Analysis, Operation Performance Analysis, and Risk Management

## 7-1. Financial Status

Unit: TWD thousand

Item \ Year	2008	2007	Difference	
			Amount	%
Total Asset	105,904,152	103,064,907	2,839,245	2.75
Total Liability	101,272,500	97,761,041	3,511,459	3.59
Total Shareholders' Equity	4,631,652	5,303,866	(672,214)	(12.67)

Remarks: No analysis presented due to changes less than 20%

## 7-2. Operation Performance

Unit: TWD thousand

Item \ Year	2008	2007	Difference Amount	Increase/Decrease Ratio (%)
Interest income	3,504,369	3,273,720	230,649	7.05
Interest expense	1,880,150	1,694,362	185,788	10.97
Non-interest income, net	(194,483)	448,1480	(642,623)	(143.40)
Net revenue	1,429,736	2,027,498	(597,762)	(29.48)
Bad debt expense	678,983	610,366	68,317	11.19
Operating expense	1,446,034	1,340,924	105,110	7.84
Income before income tax	(694,981)	76,208	(771,189)	(1011.95)
Net income	(641,524)	62,854	(704,378)	(1120.26)

Remarks of Ratio Changes Disclosure:

1. The increase in interest income as compared with previous year is due primarily to an increase in interest revenues of loans as the interest rates rise.
2. The increase in interest expense as compared with previous year is due to an increase in deposits and interest rates.
3. The decrease in net non-interest income as compared with previous year is due primarily to the recognition of an impairment loss and a decline in service fees income, and other non-interest income.
4. The increase in operating expense as compared with previous year is due primarily to an increase in personnel expenses.



## 7-3. Cash Flow

### 7-3-1. Cash Flow Analysis over the Past Year and Remedy for Shortage of Liquidity:

Unit: TWD thousand

Initial Cash Residual (1)	Yearly Operating Cash Flow (2)	Yearly Cash Outflow (3)	Residual Cash Amount (deficiency) (1)+(2)+(3)	Cash Deficiency Contingency Plan	
				Investment Plan	Financial Management Plan
1,861,353	0	143,527	2,004,880	-	-

Remarks:

1. Cash Flow Analysis

- (1) Operating activities: The net cash outflow from operating activities due primarily to an increase in financial assets measured at fair value through profit or loss.
- (2) Investing activities: The net cash outflow from investing activities results from an increase in due from Central Bank and call loans to other banks together with a decrease in held-to-maturity financial assets and bonds / bills purchased under resale agreements.
- (3) Financial activities: The net cash inflow from financial activities is produced by an increase in deposits.

2. Remedy for shortage of liquidity: Not applicable.

### 7-3-2. Cash Flow Analysis for Next Year

Unit: TWD thousand

Initial Cash Residual (1)	Estimated Yearly Operating Cash Flow (2)	Estimated Yearly Cash Outflow (3)	Estimated Residual Cash Amount (deficiency) (1)+(2)+(3)	Cash Deficiency Contingency Plan	
				Investment Plan	Financial Management Plan
2,004,880	1,426,822	(615,584)	2,816,118	-	-

Remarks:

COTA Bank estimates about a cash inflow of TWD1,426,822 thousand produced by operating activities in 2009. The estimated cash outflow about TWD 615,584 thousand in 2009 mainly due to a decrease in deposits about TWD7,520,000 thousand together with an increase in call loans to other banks and bills purchased under resale agreements about TWD8,135,584 thousand.

## 7-4. Impact of Major Capital Expenditures in Recent Year

### 7-4-1. Utilization of major capital expenditures and sources of Funds: None

### 7-4-2. Expected potential benefit: None

# 7. Financial Status Analysis, Operation Performance Analysis, and Risk Management

## 7-5. Reinvestment Policy, Improvement Plan and Investment Plan in Next Year

### 7-5-1. Reinvestment Policy and Improvement Plan

Regarding new reinvestment, the authorized unit shall submit proposal to Asset and Liability and Risk Management Committee for discussion and then get approval from Standing Committee of Board. The authorized unit shall closely monitor operation and financial condition of invested companies and report to Asset and Liability and Risk Management Committee in timely basis to ensure investment performance. In order to improve service quality and increase profits, COTA bank reinvested TWD5 million in “COTA Bank Insurance Broker Co., Ltd” with 100% ownership which was established on Jul 21, 2008.

### 7-5-2. Investment Plan in Next Year

Because of financial tsunami, economic growth rate is expected to shrink significantly than last year. Therefore, prices of equity securities will turn less expensive. COTA Bank will dynamically adjust equities and mutual funds positions according to financial market changes and industry situations. As for domestic bonds, most global central banks cut interest rates at the largest and fastest pace than ever after financial crisis broke out. Since bond prices are boosted to the highest level, it is not the proper time to invest a large amount. Hence, COTA Bank will keep fundamental positions and aim to shorten average bond duration to reduce risks. Also, we will continuously search good investment targets for heighten investment performance.



## 7-6. Risk Management

### 7-6-1. Financial Risk Information

#### 7-6-1-1. Credit Risk

#### Credit Risk Management System

Year 2008

Items	Contents
1. Strategies, Objectives, Policies, and Processes	<p>The Bank's credit risk policies and processes comply with Basel II and supervisory regulations. The Bank also created credit risk guidelines in written form such as the code of credit, the law of the credit responsibility and accountability, the law of the assessment for collateral, and all kinds of operation handbooks. They provide strict standard on loans, monitor credit risk, and manage non-performing loans. At the same time, since the change in economic cycle will affect the quality of the loan portfolio, the Bank will execute credit policies to ensure credit exposures under control.</p> <p>The Bank will consider to develop the internal credit scoring system. The system will identify and estimate risks from all credit exposures.</p> <p>The Bank established a framework for managing credit risk. The framework may execute risk analysis and monitor risk process. It also may discover potential risks that the Bank can response adequately. In addition, it may assess the relation between risk and return to ensure the goal of the Bank's business.</p>
2. The Structure, and Organization of the Risk Relevant Management Function	<p>(1) The board of directors: The Bank's board of directors is the supervisor of credit risk management. The board is responsible for the Bank's business strategies and operation guidelines, and is responsible for reviewing credit risk framework and policies. It also authorizes management to execute credit risk management.</p> <p>(2) Asset and liability management committee: The committee executes the board's risk polices and reports risk profile to the board.</p> <p>(3) Credit reviewing committee: The committee reviews the large amount of loans, specific non-performing loans, and the appointed loans.</p> <p>(4) Risk management subcommittee: The subcommittee integrates credit risk strategies, designs processes, and introduces credit identification, measurement, monitor, and reporting systems.</p> <p>(5) Other Bank's units: They should understand credit risks under any circumstances, should deal with the assignment of risk management, and should assist risk management subcommittee in risk monitor.</p> <p>(6) Auditing office: The office should establish audit plan and process, and should review the Bank's credit and investment risks at least once a year.</p>

## 7. Financial Status Analysis, Operation Performance Analysis, and Risk Management

Items	Contents
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>The Bank adjusts credit risk system to produce enough information according as the change of loan portfolio. The information includes: statistics of pass due loans, evaluation of non-performing loans, and statistics of large amount credit exposure. The board and senior management will receive the information periodically, and will make appropriate business and credit risk decision. In addition, the credit risk measurement to the bank considers the following factors:</p> <ol style="list-style-type: none"> <li>(1) Loan characteristics, contract contents, and customers' financial conditions</li> <li>(2) The possible effect of the exposures from market change</li> <li>(3) Collateral and guarantee</li> <li>(4) The possible future risk change of the customers or counterparties</li> <li>(5) Besides specific trading risks, measuring loan portfolio risks</li> </ol> <p>The Bank gradually establishes internal rating framework in accordance with long or medium term schedule and measures and analyzes loan risks through quantitative indexes and qualitative methods.</p>
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>The Bank follows the diversified principal on loans and complies with loan limit regulations such as the same person, the same party, relative corporation, stakeholder, and stocks as collateral for the loan. To avoid credit concentration risk, the Bank reviews and adjusts credit exposures regularly. For controlling the quality of the loan assets and mitigating credit risks, the Bank depends on the credit condition of the borrowers and uses a number of techniques to mitigate the credit risks. For example, the Bank demands collateral and guarantee, signs two-side offsetting agreement, terminates contract early, and buys credit derivatives to offset various forms of credit risk.</p> <p>The Bank had formulated "The Directions of the Loan Reviewing Operation" which reviews and follows the cases of the loan and strengthens after-loan management. If the Bank discovers the doubtful loans in the process, it should take necessary measures to protect debt obligations. In order to maintain an effectively monitors hip over credit risk, the Bank had established the indexes of the risk evaluation that regularly monitor the change of them and help to estimate the potential reasons of the future risk occurrence.</p>
5. Approach the Bank Qualifies for	Standardized approach

### Exposure amount after risk mitigation and capital requirement of the standard approach Dec 31, 2008

Unit: TWD thousand

Category	Exposure amount after risk mitigation	Capital Requirement
Sovereigns	0	0
Non-central government public sector entities	3,475,549	278,044
Banks (multilateral development banks)	479,385	38,351
Corporate (Securities firm and insurance companies)	6,898,755	551,900
Regulatory retail portfolios	35,324,581	2,825,966
Secured by residential property	6,170,799	493,664
Equities investment	64	5
Other assets	2,204,183	176,335
Total	54,553,316	4,364,265

7-6-1-2. Securitization Risk

Securitization Risk Management System

Year 2008

Items	Contents
1. Strategies and Processes	<p>The Bank does not play the role of originator and expects to be an investor. The internal regulations for securitizations concentrate on the investor field. If there is necessary on originator field, it will be created in the future.</p> <p>Not only the Bank obeys The Banking Act, but also it had formulated some investment limits such as total position limit, underlying instrument limit, and internal authorized limit.</p>
2. The Structure, and Organization of the Risk Relevant Management Function	<p>(1) The board of directors: The Bank's board of directors is the supervisor for securitization risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing securitization decisions. It also monitors effective operation for managing framework.</p> <p>(2) Asset and liability management committee: The committee reviews the guidelines and policies of the securitization, controls indicators, and coordinates assignments relative to risk management.</p> <p>(3) Investment subcommittee: For strengthening portfolio management and trading quality of the securitization, the subcommittee depends on the market condition to plan investment strategies.</p> <p>(4) Risk management subcommittee: The subcommittee draws strategies and processes of the securitization, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Auditing office: The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</p>
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>The Bank reports the periodic information of the securitization exposures to the senior management. It also disclosures in the annual report and on the website. The principal of the valuation should confirm the criteria of methodology and the fairness of the data. Furthermore, the managing reports should effectively control exposure positions and should provide appropriate measurement results to assist risk management processes.</p>
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>The Bank regularly accesses the effectiveness of the strategies of the hedge positions and reviews the limits of the securitizations investment according to the volatility of the market prices.</p> <p>Both of the strategies and limits will report to Investment Subcommittee and make decision. The mitigate such as collaterals, guarantee, and credit derivatives apply to the standardized approach of the credit risk.</p>
5. Approach the Bank Qualifies for	Standardized approach

Remarks:

The undertaking of securitization: None

Securitization exposures and capital requirements: None

# 7. Financial Status Analysis, Operation Performance Analysis, and Risk Management

## 7-6-1-3. Operational Risk

### Operational Risk Management System

Year 2008

Items	Contents
1. Strategies and Processes	<p>Operational risk is defined as the risk of the loss resulting from inadequate or failed internal process, people and system or from external events. This definition includes legal risk, but excludes strategic reputation risk.</p> <p>Legal risk is defined as the risk of the loss resulting from inappropriate legal documents or imperfect contacts. There are some facts to result in legal risk, including the obedience of laws, incorrect documents, and non-executive abilities.</p> <p>The Bank's operational strategies and processes are restrained the division of labor, employees training, effective control framework, and internal control procedure of each level. In aspect of internal control, the Bank had fully formulated the system of the internal audit, self-audit, law obedience, and business operational rules that may to search on the internal website for employees' real time operation. The Bank reduces operational loss by internal and external audit to monitor and trace the risks.</p>
2. The Structure and Organization of the Relevant Risk Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor for risk management. The board is responsible for the Bank's business strategies, and is responsible for reviewing significant decisions.</p> <p>(2) Asset and liability Management Committee: The committee follows risk management policies and procedures that the board of directors had approved. In addition, the committee is responsible to review the guidelines and policies of the operational risk, controls indicators, and coordinates assignments relative to risk management.</p> <p>(3) Risk Management Subcommittee: The subcommittee draws strategies and processes of the operational risk, designs and introduces risk identification, measurement, monitor, and reporting system. Moreover, the subcommittee develops the loss event databases of operational risk, gathers risk information from all Banks' units, and reports to ALM committee and the board of the directors regularly.</p> <p>(4) Headquarters' Units They should totally understand the risk that they are facing. When they codify operational regulations, they should consider operational risk management. They also should assist risk management subcommittee to accomplish all kinds of risk monitor.</p> <p>(5) Other Bank's Units: Everyone should comply with the Bank's regulations and should control operational risk. If risk event occurs, everyone should deal with the event immediately and should report to management.</p> <p>(6) Auditing Office: The office should execute auditing processes independently and should provide improvement suggestion timely.</p>
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>The executive circumstance of the internal and external audit, self-audit, and the system of law obedience regularly reports to the board. The Bank executes reporting system of the loss data of the operational risk and establishes whole bank's loss database of the operational risk. The Bank adopts Supervisory regulation to classify loss event types.</p>

Items	Contents
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	The Bank insures the employees, finance, and the safety of the assets against fire, earthquake, honest, and accidents for risk mitigate. To deal with outsourcing operation, emergency, and customers' argument, the Bank had internal operation rules, emergency plans, and argument procedures for protecting the Bank's and customers' rights. In addition, the Bank's emergency center and crisis subcommittee had formulated the strategic manual of the disasters and the contingency measures of the operating crisis to ensure every business that may continue to operate normally when the crisis occurs and to protect significant loss of the Bank.
5. Approach the Bank Qualifies for	Basic indicator approach

### The Operational Risk Capital Charge Dec 31, 2008

Unit: TWD thousand

Year	Annual Gross Income	Capital Charge
2006	1,931,083	
2007	1,993,824	
2008	1,429,736	
Total	5,354,643	267,732

#### 7-6-1-4. Market Risk

### Market Risk Management System

Year 2008

Items	Contents
1. Strategies and Processes	<p>The strategies of the Bank's market risk are as follows: considering the characteristic of each instrument and market condition, regularly measuring endurable risks, expecting balance of returns and risks, optimizing investment allocation. The purpose of all strategies is to improve performance. On the other hand, the Bank formulated a limit system to effectively control risks and reduce exposures.</p> <p>To ensure the Bank's market risk under control, the functional responsibility divides into trading and settlement, and will involve in risk control system. The system is responsible for the risk identification, measurement, monitor, and reporting procedure.</p>
2. The Structure and Organization of the Relevant Risk Management Function	<p>(1) The Board of Directors: The Bank's board of directors is the supervisor for risk management. The board is responsible to review market risk management system and market risk strategies, and to ensure the system reflects the Bank's business strategies.</p> <p>(2) Asset and Liability Management Committee: The committee executes risk management strategies and frameworks that the board of directors had approved. In addition, the committee is responsible to review the principals, strategies, and monitoring indexes of the risk managing system and to coordinate and monitor each risk management relative to matters.</p>

## 7. Financial Status Analysis, Operation Performance Analysis, and Risk Management

Items	Contents
	<p>(3) Investment Subcommittee: The subcommittee plans investment strategies and makes decision what the positions should be sold or hold.</p> <p>(4) Risk Management Subcommittee: The subcommittee draws strategies and processes of the market risk management, designs and introduces risk identification, measurement, monitor, and reporting system.</p> <p>(5) Auditing Office: The office should establish audit plan and process, and should review the Bank's risk management at least once a year.</p>
3. The Scope and Nature of the Risk Reporting and/or Measurement Systems	<p>Market risk information system should be able to control exposures and provide appropriate risk measurement results. For the purpose of the evaluation, the positions divide into trading book and banking book. The banking book positions evaluate once a month, the trading book positions evaluate on a daily basis. The information about gain/loss and exposures will deliver to management. If the exposures have exceed their limits, risk controller should report to division manager immediately.</p> <p>In the future, the Bank will gradually introduce VAR calculation system. It provides realistic possible loss amount in order to measure tolerance of exposures.</p>
4. Policies for Hedging and/or Mitigating Risk and Strategies and Processes for Monitoring the Continuing Effectiveness of Hedges/Mitigations	<p>According to business strategies and risk condition, the Bank had clearly risk limits such as trading position limits, dealers' limits, stop loss limits, and derivative limits to monitor and evade market risk.</p> <p>If dealers exceed their position limits, market risk personals should inform the facts and procedures to management. If dealers exceed their stop loss limits, they are required to execute positions.</p>
5. Approach the Bank Qualifies for	Standardized approach

### The Market Risk Capital Charge Dec 31, 2008

Unit: TWD thousand

Risk Category	Capital Charge
Interest Rate Risk	75,326
Equity Position Risk	97,914
Foreign Exchange Risk	58,057
Option Position	44
Total	231,341

#### 7-6-1-5. Liquidity Risk

##### 7-6-1-5-1. Maturity Analysis of the Assets and Liabilities

Besides a perfect balance of safety and profit, asset management should concern about liquidity. Most of assets of the Bank are medium-term and long-term loans, and most of liabilities are saving and time deposits. The liquidity gaps that



are more than 91 days and less than one year are negative, which means short-term liabilities are more than short-term assets. On the other hand, the gaps are less than 90 days and more than one year is positive. The amount of accumulated liquidity gaps is TWD10.1 billion, including commitment credit line TWD9.9 billion. The Bank expects 80% time deposits will be rollover, and the balance of saving deposits will change less than 20%. They are able to fill in the liability gaps. The resources of the Bank are abundant in funds; therefore, the surplus of funds will invest in reverse repurchase agreements. In terms of short-term assets and liabilities management, the Bank is qualified for stability. Moreover, a good reputation also supports the resource of Bank's long-term funds.

### Analysis for Time-to-Maturity of the Bank's TWD Assets and Liabilities as of Dec 31, 2008

Unit: TWD million

	Total	Volumes during the period prior to the due date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Asset	105,691	12,394	13,733	11,289	13,911	54,364
Liability	115,679	10,477	13,710	18,006	39,409	34,077
Maturity Gap	(9,988)	1,917	23	(6,717)	(25,498)	20,287
Cumulative Maturity Gap		1,917	1,940	(4,777)	(30,275)	(9,988)

### Analysis for Time-to-Maturity of the Bank's USD Assets and Liabilities as of Dec 31, 2008

Unit: USD thousand

	Total	Volumes during the period prior to the due date				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Asset	64,311	43,003	9,294	3,824	0	8,190
Liability	64,311	56,912	4,220	1,474	1,477	228
Maturity Gap	0	(13,909)	5,074	2,350	(1,477)	7,962
Cumulative Maturity Gap	0	(13,909)	(8,835)	(6,485)	(7,962)	0

#### 7-6-1-5-2. Liquidity and Gap Management

To ensure adequate liquidity, the Bank keeps the legal and liquidity reserves for all kinds of deposits, and pays attention to the impact of liquidity gap on the Bank's operation. At the end of 2008, the Bank's average liquidity ratio which is higher than supervisor's minimum requirement of 7% was 12.92%. For preventing the occurrence from liquidity risk, the Bank had formulated indicators on liquidity risk. If the indicators approach to a warning point, the Bank should take measures that may avoid liquidity difficulty as follows:

## 7. Financial Status Analysis, Operation Performance Analysis, and Risk Management

- A. Borrowing short-term loans: interbank borrowing, repurchases agreement, or discount window.
- B. Issuing NCDs or bank debentures
- C. Attracting deposits by adjusting interest rate of deposits and inter-branch rate
- D. Selling short-term securities which can not be reserves
- E. Suspending new loans and reclaiming mature loans
- F. Selling loan assets

To deal with fluctuating global economic and financial markets, the Bank had established Assets, Liabilities, and Risk Management Committee to adjust business strategies timely for effectively managing fund resource operations. The Bank uses various ratios such as loan to deposit ratio, current to total asset ratio, current asset to total deposit ratio, and maturity analysis to measure liquidity positions and to adjust asset/liability structure.

### 7-6-2. The Influence of Alterations in Domestic and Foreign Major Policies and Laws on the Bank's Financial Operations and Adopting Measures

The global economy was much affected by financial tsunami last year. Each country had made proposal for stimulating the economy. The Central Bank of the Republic of China adopted the interfering policies of "rate" and "quantity" such as lowering required reserve ratio and discount rate, increasing the amount of deposit insurance, and raising bailout package. The government continuously adopts expansionary monetary policies and lowers interest rate to maintain economic stability. The banking industry faces systematic and unexpected risks, including credit risk, interest risk, liquidity risk, operational risk, and reputation risk. The risks interact to huge risk that may create tremendous loss. From profit viewpoint, the factors of credit squeeze, narrow spread of loan-deposit, increasing risky assets, and asset write down will significantly reduce the profit of banks. To improve the foregoing situation, the Bank should execute the following measures:

#### 1. Loan to superior corporations

The Bank will lend to the corporations which have stable outlook with temporary difficulty in working capital. This will secure the Bank's asset quality, enhance profit, and confirm the government's policies.

#### 2. Intensify risk management

- (1) Implement the application of the Basel II and construct the culture of the risk management from top to down
- (2) Reinforce independent ability of the financial products, risk evaluation and management, and early warning system
- (3) Enhance risk identification and controlling ability; pay close attention to risks of the global financial market

#### 3. Strengthen corporate governance and internal auditing system

#### 4. Develop internal capital adequacy assessment process (ICAAP)

The Bank will continuously pay more attention to regulation amendment and adopt measures to reduce the influence of the Bank's finance.

### **7-6-3. The Influence of Technological and Industrial Changes on the Bank’s Financial Operations and Adopting Measures**

The Bank had provided e-bank service to reduce cost and enhance business efficiency. Although it brings convenience and cost down, it still had some risks of the information safety such as program errors, system crashes, or hacker attacks. They will create more losses and operational risks. To avoid the occurrence of the loss events, the Bank will train employees to recognize the information safety and to deal with emergent events. This will reduce the probability of the risk occurrence. In order to enhance the Bank’s assets quality and reduce loan risks, the related loan departments provide industrial research reports without a fix schedule and observe the industrial changes at any time.

### **7-6-4. The Influence on the Bank of Changes in the Bank’s Image and Adopting Measures**

The Bank holds the spirit of “take resource from society and contribute to community” to take the responsibility of the enterprise citizen. Facing keen competition, the Bank still maintains the spirit of “be respectful to customers” to provide the professional financial services to customers. The Bank hopes to maintain long-term stable relationship with customers by clear and professional image and to create a win-win situation between enterprise and clients.

### **7-6-5. Expected Benefits and Potential Risks of Mergers and Acquisitions and Adopting Measures**

Currently, there is no plan to merger or acquire any others.

### **7-6-6. Expected Benefits and Potential Risks of Business Location Expansion and Adopting Measures**

To expand the scope of customer service, increase business efficiency, and create brand awareness and market share, the Bank moved one of the branch from Fengyuan to Shinjhuang last year, therefore, the Bank from pure local bank transfered to metropolitan and multifunctional bank. Under over-banking situation, the Bank should strengthen employees professional knowledge to provide more alternative needs for customers, establish enough client database, maintain customers’ relationship, and create diversified services. That will stand out from the others and set unbeatable niche.

### **7-6-7. Risk Arising from the Concentration of Business and Adopting Measures**

The Bank had formulated risk limit regulations such as the same person, the same party, Relative Corporation, and every industry on loan and investment businesses. In addition, the Bank controls concentration of the all bank’s businesses through information management system. This can diversify risks, keep assets’ quality, and stabilize the profits.

### **7-6-8. The Influence and Risk Posed by Changes in Operating Rights and Adopting Measures:**

There have been no changes in operating rights.

## 7. Financial Status Analysis, Operation Performance Analysis, and Risk Management

### 7-6-9. Lawsuits: None

### 7-6-10. Other Significant Risks and Adopting Measures:

Other risks such as strategically risk, goodwill risk, and the risk of the obedience of laws, the Bank will adjust the business policy in accordance with the change of the market condition and the modification of the laws to enhance business flexibility and competition.

### 7-7. Crisis Handling System:

The Bank established contingent task team and declared some standard operational procedures. The Bank had established crisis handling systems as follows:

**7-7-1. The Bank formulated “The Adopting Measures of the Business Operating Crisis”. When the crisis occurs, it may help the Bank to maintain the normal operation.**

**7-7-2. The Bank formulated “The Operational Procedures of the Unforeseeable Events”, “The Handling Directions of the Contingent Task Team”, and “The Adopting Manual of Disasters”. When the significant and unforeseeable event occurs, they may help the Bank to remedy the situation.**

**7-7-3. The Bank formulated “The Operational Rules of the Safety Protection”. It may help the Bank to strengthen safety system. Under the rules, there is a safety monitoring team. The team hold regular meetings to discuss the result of the execution and offer suggestions for improving faults.**

**7-7-4. The Bank formulated “The Operational Rules of the Safety Protection”. Under the rules, the Bank simulates any possible conditions to train employees to take appropriate adopting measures.**

### 7-8. Other Significant Matters: None



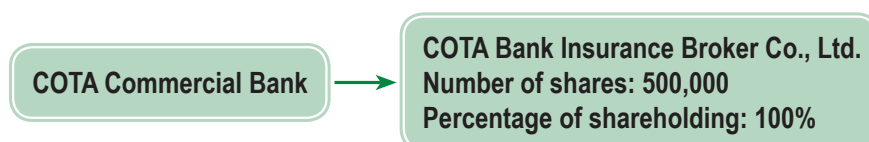
2008

# ∞ Special Notes

# 8. Special Notes

## 8-1. Data of Affiliated Company

### 8-1-1. Organization Chart of Affiliated Company



### 8-1-2. Profile of Affiliated Company

Unit: TWD thousand

Company name	Established date	Address	Paid-in capital	Major business item
COTA Bank Insurance Broker Co., Ltd.	Apr 16, 2008	6F.,580 Jinhua Road, North District, Taichung City 404, Taiwan	5,000	Property insurance broker Life insurance broker

### 8-1-3. Infer Controller and Subsidiary Own The Same Shareholders' Data: None

### 8-1-4. Data of Affiliated Company's Director and Supervisor

Company name	Title	Name or Represent	Shares	
			Number of shares	Percentage of shareholding (%)
COTA Bank Insurance Broker Co., Ltd.	Chairman	Chun-Tse Liao	500,000	100.00
	Director	Chin-Ting Chang		
	Director	Tsai-Hsiung Liao		
	Supervisor	Jung-Hsien Chiu		

### 8-1-5. Business Operation of Affiliated Company

Unit: TWD thousand

Firm's Name	Capital	Asset	Liability	Net Income	Operating Income	Operating Margin	Net Income After Tax	EPS After Tax
COTA Bank Insurance Broker Co., Ltd.	5,000	11,647	6,041	5,606	17,358	591	606	1.21

### 8-1-6. Consolidated Financial Statement of Affiliated Company

Details please see consolidated financial statement

### 8-1-7. Affiliated Statement: N/A

## 8-2. Private Placement of Securities: None

## 8-3. Holdings or Disposal the Stock of COTA Bank by Subsidiaries: None

## 8-4. Other Matters for Supplementary Explanation: None

2008

# Chronological Highlights



# Chronological Highlights

- 1999.01.01 COTA Commercial Bank Co., Ltd. officially inaugurated business services.
- 1999.01.02 Mr. Liao Chun-Tse, Mr. Yen Chun-chi, Mr. Lin Ping-Chih, Mr. Yang Chao-Hui and Mr. Wu Wen-Hua were elected the managing directors in the first board of directors meeting of the first session, Mr. Liao Chun-Tse elected the chairman and Mr. Wang Chun-chuan appointed the General Manager.
- 1999.01.03 Started up foreign exchange services with trading of USD, JPY, HKD in cash and traveler checks.
- 1999.01.14 Held a press conference for COTA Bank's officially opening.
- 1999.01.15 Hosted COTA Commercial Bank grand opening cocktail party.
- 1999.02.05 Started up comprehensive deposit services.
- 1999.03.16 Totally replaced stock certificates of Taichung Third Credit Cooperative into common share certificates of COTA Commercial Bank Co., Ltd.
- 1999.03.25 Donated the TWD54.2 million Taichung Third Credit Cooperative public welfare fund to COTA Cultural & Educational Foundation in full, and duly elected directors and supervisors of the Foundation.
- 1999.03.25 Started up guarantee services
- 1999.03.30 Signed a contract to team up with Chinatrust Commercial Bank to jointly promote foreign exchange services.
- 1999.04.14 Relocated head office, approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 88112588, to 32~1 Park Avenue, Taichung on Jul 1.
- 1999.05.05 Held preparatory meeting for COTA Cultural & Educational Foundation.
- 1999.06.10 Signed a contract to team up with Shanghai Commercial Savings Bank to jointly promote foreign exchange services.
- 1999.07.01 Banking Dept. and Savings Dept. moved address.
- 1999.07.28 Allied with Bank of PanShin, Sunny Commercial Bank, HwaTai Commercial Bank and Kaohsin Commercial Bank to jointly set up "Financial Development Alliance"
- 1999.09.03 Set up three additional branches, Zhanghua Branch, Yuanlin Branch and Fengyuan Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung-Tze 88744410.
- 1999.09.17 Director and president Wang Chun-chuan resigned from the concurrent post of president.
- 1999.11.29 The board of directors appointed Mr. Chang Ying-Che as president in its 6th extraordinary meeting of the first term.
- 2000.01.01 President Chang Ying-Che inaugurated
- 2000.01.01 Passed the Y2K testing
- 2000.04.26 Set up Fengyuan Branch
- 2000.05.10 Held 2000 shareholders' regular meeting.
- 2000.05.19 Set up Zhanghua Branch.
- 2000.07.07 Set up Yuanlin Branch.



- 2000.10.21 Chairman, MR. Liao Chun-Tse, was conferred an Outstanding Enterprise Leader and honorary administrator of Committee on Outstanding Enterprise Manager.
- 2000.11.01 Chairman, Mr. Liao Chun-Tse, was conferred an award of Golden Merchant
- 2000.11.03 Wenhsin Branch spin into 2 mini branches as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 89759294.
- 2001.01.05 Started business for Credit card.
- 2001.04.02 Set up Wenhsin Mini Branch and Beitun Mini Branch.
- 2001.04.12 Beitun Branch moved to Shalu Town, Taichung country and renamed as Shalu Branch.
- 2001.05.28 Savings Dept. renamed Taichung Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung 90192708.
- 2001.06.01 Started business of insurance broker.
- 2001.06.19 Held 2001 shareholders' regular meeting and elected second term of directors and supervisors.
- 2001.06.21 Started Trust business as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3)-Tze 90746774.
- 2001.07.17 Started internet banking services as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 90234040.
- 2001.08.01 Established Taipei Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90303504.
- 2001.08.23 Stared Internet Banking services.
- 2001.09.17 Senior executive vice president Wang Lien-Kuei retired.
- 2001.09.24 Savings Dept. renamed Taichung Branch.
- 2001.09.24 Business of Corporate Banking centralized.
- 2001.09.28 Added Hsinchu city and Hsinchu Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung (3) 90721973.
- 2001.10.26 COTA Bank was rated by Taiwan Ratings Co.
- 2001.12.10 Supervisor Mr. Lai Su-Lang passed away.
- 2002.01.01 Mr. Liao Chun-Tse, Mr. Wang Chun-chuan, Mr. Wu Wen-Hua, Mr. Chiang Po-ling and Mr. Lin Ping-Chih were elected as managing directors in the board of directors meeting. Mr. Liao Chun-Tse elected as the chairman.
- 2002.02.01 Set up Consumer Banking Center and NPL Management Center.
- 2002.02.01 Credit Card Center was combined into Consumer Banking Center.
- 2002.03.11 Set up Taipei Branch.
- 2002.03.11 Chairman, Mr. Liao Chun-Tse, was conferred an honorary consultant of The Republic of Honduras Honduras consulate general Taipei office.
- 2002.04.01 Started car loans by Consumer Banking Center.

# Chronological Highlights

- 2002.05.09 Held 2002 shareholders' regular meeting.
- 2002.06.27 Added Taoyuan Hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0913000230.
- 2002.08.12 Chairman, Mr. Liao Chun-Tse, was conferred an Outstanding Businessman in the 3rd session.
- 2002.09.01 Stared index-linked home loan services
- 2002.09.16 Started Cash card services by Consumer Banking center.  
Cooperate with Central Bank to executed RTGS.
- 2002.10.02 Started Trusts business.
- 2003.02.17 Zhongzheng Branch moved to Taoyuan city and renamed Taohyuan Branch,Wenhsin Mini Branch moved to old Zhongzheng Branch address and renamed Zhongzheng Mini Branch as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920005698.
- 2003.02.19 Started phone selling by Trusts Dept.
- 2003.03.27 Chairman, Mr. Liao Chun-Tse, was conferred the Exp. And Imp. Top Ten Man of the Time in the 8th session of the R.O.C.
- 2003.04.18 President, Mr. Chang Ying-Che, was conferred an Outstanding Enterprise Manager.
- 2003.04.21 Zhongzheng Mini Branch reopened for business.
- 2003.05.06 Held 2003 shareholders' regular meeting.
- 2003.05.31 Director Lin Ping-Chih demised.
- 2003.07.25 Set up Taoyuan Branch.
- 2003.09.16 Added Taipei and Taipei hsien to be business area as approved by Ministry of Finance under doc. no. Tai-Tsai-Jung- (3)-Tze 0920033399.
- 2003.12.08 Stared offset interest-free home loans.
- 2003.12.20 Held ocean concert in highway rest-station of Qingshui.
- 2003.12.26 COTA Bank was selected as the director of Taiwan cooperative bank.
- 2003.12.31 The profit in business of insurance agency was achieved TWD10 million.
- 2004.01.01 Started up chip ATM card services.
- 2004.01.14 Launched credit card consuming statement on-line enquiry service in Internet banking.
- 2004.01.15 Launched re-circulating ATM.
- 2004.02.16 Launched broadband transmission intra bank network.
- 2004.05.07 Held 2004 shareholders' regular meeting.
- 2004.07.05 Renewed core computer systems.
- 2004.07.06 Added Taipei city as business area as approved by FSC under doc. no. (3)0930022905.

- 2004.07.15 Set up the day as the base day for COTA Bank 2003 fiscal year surplus earnings increment to issue the new stocks assignment.
- 2004.07.27 Relocated Shalu branch to Banciao branch as approved by FSC under doc. no. (3)0930023291.
- 2004.08.01 Senior executive vice president Huang Mu-Chuan retired.
- 2004.09.01 Centralized collateral re-pricing to Credit Management Dept. Set up on-line newsletter service operation system.
- 2004.10.01 Launched TAIEX Index Fund Transaction System by Trust Dept.
- 2004.11.04 The 58th Financial Commerce Champion was made award to General Manager Chang Ying-Che.
- 2004.11.05 President, Ying-Che Chang on promoted to the 8th Chairman of The Bankers Association of the Republic of China.
- 2004.11.09 Director Wu Wen-Hua relieved the responsibility.
- 2004.11.11 Banciao branch opened
- 2004.11.24 FSC approved COTA Bank to set up International Banking Department.
- 2004.12.30 All ATMs, matched with the next generation chip ATM card specification, were completed changing.
- 2005.03.16 Established International Banking Department
- 2005.05.06 Issued century anniversary chip credit card of Taichung train station.
- 2005.05.24 Held 2005 shareholders' regular meeting and elected 3rd term of directors and supervisors
- 2005.05.25 Mr. Liao Chun-Tse, Mr. Hang Mu-Chuan, Mr. Wang Chun-Chuan, Mr. Hsieh Tung-Po, and Mr. Li Yao-Ting were elected as the managing directors in the board of directors.  
Mr. Liao Chun-Tse was elected as the chairman
- 2005.09.09 Issued subordinated bank debenture for TWD2.5 billion as approved by FSC under doc. no. (3)0940024574
- 2005.09.17 Held 2005 shareholders' extraordinary meeting and approved to acquired Fengyuan Credit Cooperative
- 2005.11.04 Joint as member of SMEG (Small and Medium Business Credit Guarantee Fund)
- 2005.11.17 Acquired Fengyuan Credit Cooperative as approved by FSC under doc. no. (3)0943001682.
- 2005.12.12 Relocated Credit Card Center to 339, Dazhi Road., Taichung City.
- 2006.01.01 The effective day of Fengyuan Credit Cooperative merged into COTA Bank.  
Added six branches: Fengxin branch, Zhongshan branch, Fenge branch, Fengdong branch, Shiqian branch and Sanmin branch.
- 2006.01.03 Launched Electronic Official Document System
- 2006.02.17 Six Branches in Fengyuan started up foreign exchange services in cash and traveler checks.
- 2006.04.01 Established North Area Office of Credit Management Dept.
- 2006.06.09 Held 2006 shareholder's regular meeting.

# Chronological Highlights

- 2006.06.14 FSC approved COTA Bank to set up wealth management banking business.
- 2006.07.01 Established Wealth Management Center.
- 2006.07.06 FSC approved COTA Bank to set up OBU.
- 2006.09.22 Trusts Dept .moved to 2F. No.339, Dajhih Rd., East District, Taichung City 401, Taiwan
- 2007.01.17 Set up Kaohsiung Branch.
- 2007.04.03 Launched off-business hour transactions statement on-line enquiry service in internet banking.
- 2007.06.06 Held 2007 shareholder's regular meeting.
- 2007.07.06 Set up Tainan Branch.
- 2007.10.01 Launched utilities fee collection on-line service in internet banking.
- 2008.03.01 Launched Electronic Payments Clearing System
- 2008.03.25 Launched off-business hour trust fund transactions application in internet banking.
- 2008.05.26 Sanmin Branch moved to Xinzhuang City and renamed Xinzhuang Branch as approved by FSC under doc. no. Chin-Kuan-Yin-(3)-Tze 09700201230
- 2008.06.19 Held 2008 shareholder's regular meeting and elected 4th term of Director and Supervisor.
- 2008.06.20 Mr. Liao Chun-Tse, Mr. Chang Ying-Che, Mr. Xie Dong-Po, Mr. Li Yao-Ting, and Mr. Wang Yen-Chun were elected as managing directors in board of directors meeting. Mr. Liao Chun-Tse elected as the chairman.
- 2008.07.21 Set up subsidiary COTA Bank Insurance Broker Co., Ltd.
- 2008.09.25 Launched apartment and mansion residence administrative fee trust business.
- 2008.09.30 President Mr. Chang Ying-Che retired.  
Mr. Chang Chin-Ting was appointed as President
- 2008.10.01 President Chang Chin-Ting inaugurated.
- 2008.12.06 Sep up Xinzhuang Branch.

# Head Office and Branches

Unit	Address	Tel	Fax
Head Office	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245171	886-4-22275237
Trusts Dept.	2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan	886-4-22807366	886-4-22809021
International Banking Dept.	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Offshore Banking Branch	2F., 246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87533599	886-2-87533573
Consumer Banking Center	10F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22384596	886-4-22384591
SME Banking Center	11F, 580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22370028	886-4-22372595
Wealth Management Center	2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan	886-4-22800361	886-4-22809747
Credit Card Center	2F., .339, Dazhi Road., East District, Taichung City 401, Taiwan	886-4-22805288	886-4-22805099
Taichung Branch	59 Shihfu Road, Central District, Taichung City 400, Taiwan	886-4-22245161	886-4-22234491
Banking Dept.	32-1 Gongyuan Road, Central District, Taichung City 400, Taiwan	886-4-22211186	886-4-22229536
Zhongzheng Mini Branch	330 Zhongzheng Road, Central District, Taichung City 400, Taiwan	886-4-22241115	886-4-22229359
Chenggong Branch	580 Jinhua Road, North District, Taichung City 404, Taiwan	886-4-22304100	886-4-22304701
Xitun Branch	458 Sec. 2, Henan Road, Xitun District, Taichung City 407, Taiwan	886-4-27062968	886-4-27063816
Guoguang Branch	333 Sec. 3, Fusing Road, South District, Taichung City 402, Taiwan	886-4-22245111	886-4-22229281
Dazhi Branch	339 Dazhi Road, East District, Taichung City 401, Taiwan	886-4-22815998	886-4-22815977
Linsen Branch	99 Linsen Road, West District, Taichung City 403, Taiwan	886-4-23725151	886-4-23723024
Nanmen Branch	75 Nanmen Road, South District, Taichung City 402, Taiwan	886-4-22871146	886-4-22862412
Jinhua Branch	255 Jinhua North Road, North District, Taichung City 404, Taiwan	886-4-22333550	886-4-22335164
Nantun Branch	410 Nantun Road, Nantun District, Taichung City 408, Taiwan	886-4-24718500	886-4-24758522

# Head Office and Branches

Unit	Address	Tel	Fax
Beitun Mini Branch	751 Sec. 4, Wunsin Road, Beitun District, Taichung City 406, Taiwan	886-4-22426565	886-4-22417153
Fengyuan Branch	214 Yuanhuan E. Road, Fengyuan City, Taichung County 420, Taiwan	886-4-25151788	886-4-25151895
Zhanghua Branch	181 Sec. 2, Zhongzheng Road, Zhanghua City, Zhanghua County 520, Taiwan	886-4-7298686	886-4-7298585
Yuanlin Branch	189 Sec. 1, Datong Road, Yuanlin Town, Zhanghua County 510, Taiwan	886-4-8383888	886-4-8383666
Taipei Branch	246 Yangguang Street, Neihu District, Taipei City 114, Taiwan	886-2-87512588	886-2-87512788
Taoyuan Branch	9 Sec. 2, Chenggong Road, Taoyuan City, Taoyuan County 330, Taiwan	886-3-3470505	886-3-3357373
Banciao Branch	260 Minzu Road, Panchiao City, Taipei County 220, Taiwan	886-2-89536001	886-2-89536011
Fengxin Branch	151, Zhongzheng Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25224281	886-4-25269539
Shiqian Branch	353, Zhongshan Rd., Fengyuan City, Taichung County 420, Taiwan	886-4-25261181	886-4-25269540
Zhongshan Branch	9, Daming Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25277155	886-4-25269553
Fengdong Branch	330, Xiangyang Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25225072	886-4-25269550
Fengle Branch	693, Zhongzheng Road., Fengyuan City, Taichung County 420, Taiwan	886-4-25287055	886-4-25269562
Kaohsiung Branch	1, Wenfu Rd., Zuoying District, Kaohsiung City 813, Taiwan	886-7-3505685	886-7-3506733
Tainan Branch	438, Sec 2, Datung Rd., Tainan City 702, Taiwan	886-6-2130966	886-6-2149088
Xinzhuang Branch	287, Chung Ping Rd., Xinzhuang City, Taipei, Taiwan	886-2-22768887	886-2-22768611

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